

HEARINGS
BEFORE A
SUBCOMMITTEE OF THE
COMMITTEE ON
GOVERNMENT OPERATIONS
HOUSE OF REPRESENTATIVES
NINETY-THIRD CONGRESS

SECOND SESSION

ON

H.R. 12113

TO REVISE AND RESTATE CERTAIN FUNCTIONS AND
DUTIES OF THE COMPTROLLER GENERAL OF THE UNITED
STATES, AND FOR OTHER PURPOSES

H.R. 12181

TO DIRECT THE COMPTROLLER GENERAL OF THE UNITED
STATES TO CONDUCT A STUDY OF THE BURDEN OF RE-
PORTING REQUIREMENTS OF FEDERAL REGULATORY PRO-
GRAMS ON INDEPENDENT BUSINESS ESTABLISHMENTS,
AND FOR OTHER PURPOSES

AND

H.R. 14718

TO DISCONTINUE OR MODIFY CERTAIN REPORTING
REQUIREMENTS OF LAW

JUNE 5 AND 6, 1974

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(II)

CONTENTS

	Page
Hearings held on—	1
June 5	85
June 6	3
Texts of H.R. 12113, H.R. 12181, and H.R. 14718	
Statement of—	
Anthony, Col. William H., Staff Judge Advocate, Air Force Accounting and Finance Center; accompanied by Heber Paul Wiemer, Systems Accountant with the Deputy Assistant Comptroller of the Air Force for Accounting and Finance	79
Bingman, Charles F., Deputy Associate Director, Organization and Special Studies, Office of Management and Budget	103
Fascell, Hon. Dante B., a Representative in Congress from the State of Florida	99
Holifield, Hon. Chet, a Representative in Congress from the State of California, and chairman, Legislation and Military Operations Subcommittee: Opening statement	1
Staats, Elmer B., Comptroller General of the United States; accompanied by Robert F. Keller, Deputy Comptroller General; Paul G. Dembling, General Counsel; Phillip S. Hughes, Assistant Comptroller General; E. H. Morse, Jr., Assistant Comptroller General; T. E. Sullivan, Director, Transportation and Claims Division; William Conrardy, Director, Office of Program Planning; Cleris P. Pin, Director, Office of Administrative Planning and Services; Richard R. Pierson, Assistant General Counsel; Thomas F. Williamson, Senior Attorney; John Landicho, Associate Director, General Government Division; Bertram H. Rosen, Assistant Director, Financial and General Management Studies Division; James Kardokus, Supervisory Auditor, Financial and General Management Studies Division; and Roger L. Sperry, Legislative Adviser, Office of Congressional Relations	30
Williford, Frederick L., director of government affairs, National Federation of Independent Business; accompanied by John Motley, legislative staff	110
Yatron, Hon. Gus, a Representative in Congress from the State of Pennsylvania	85
Zechman, Ronald E., Acting Associate Administrator, General Services Administration; accompanied by Isaac E. Friedlander, Executive Director of the Public Buildings Service; John J. Lordan, Director, Office of Financial Management, Office of Federal Management Policy; and John Reutemann, Director, Agency Transportation Coordination Division, Federal Supply Service	67
Letters, statements, et cetera, submitted for the record by—	
Anthony, Col. William H., Staff Judge Advocate, Air Force Accounting and Finance Center: Sundry information relative to the hearings	82-84
Bingman, Charles F., Deputy Associate Director, Organization and Special Studies, Office of Management and Budget:	
Letter, dated July 15, 1974, to Chairman Holifield, re H.R. 12113, title III	106-107
Letter, dated June 19, 1974, to Chairman Holifield, from Governor Jaenke, Farm Credit Administration, re comments on H.R. 9091	109-110
Fascell, Hon. Dante B., a Representative in Congress from the State of Florida, statement	101-102
Friedlander, Isaac E., Executive Director of the Public Buildings Service, General Services Administration: Exchange of correspondence between Arthur F. Sampson and Elmer B. Staats, re title V of the draft bill S. 2049	72-73

(III)

Letters, statements, et cetera, submitted for the record by—Continued	Page
Holifield, Hon. Chet, a Representative in Congress from the State of California, and chairman, Legislation and Military Operations Subcommittee: Letter, dated June 10, 1974, to Committee on Government Operations, Subcommittee on Legislation and Military Operations, from U.S. General Accounting Office Black Caucus, Otha J. Miller, president, re H.R. 12113, Title II.—Audit of Transportation payments.....	55-57
McIntyre, Hon. Thomas J., a Senator in Congress from the State of New Hampshire, statement.....	102-103
Staats, Elmer B., Comptroller General of the United States: Letter, with enclosure, dated June 21, 1974, to Chairman Holifield, from Comptroller General Staats, re Otha J. Miller's letter of June 10, 1974, concerning title II of H.R. 12113.....	57-67
Title III.—Audit of Nonappropriated Fund Activities.....	37-38
Title VIII.—Limitation of Time on Claims and Demands.....	38
Williford, Frederick L., director of government affairs, National Federation of Independent Business, statement.....	114-119
Yatron, Hon. Gus, a Representative in Congress from the State of Pennsylvania: Sundry material relative to the hearings.....	89-94

APPENDIX

Other statements and correspondence relative to the hearings.....	125
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BILLS RELATING TO THE GENERAL ACCOUNTING OFFICE

WEDNESDAY, JUNE 5, 1974

HOUSE OF REPRESENTATIVES,
LEGISLATION AND MILITARY OPERATIONS SUBCOMMITTEE
OF THE COMMITTEE ON GOVERNMENT OPERATIONS,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10 a.m., in room 2154, Rayburn House Office Building, Hon. Chet Holifield (chairman of the subcommittee) presiding.

Present: Representatives Chet Holifield and John W. Wydler.

Also present: Herbert Roback, staff director; Charles Goodwin, counsel; Warren Buhler, minority professional staff, Committee on Government Operations.

Chairman HOLIFIELD. The subcommittee will come to order.

OPENING STATEMENT OF CHAIRMAN CHET HOLIFIELD

Today and tomorrow the Subcommittee on Legislation and Military Operations will hear the Comptroller General and other witnesses on several bills relating to the audit functions of the General Accounting Office and reporting requirements of the Federal Government.

These bills are as follows:

H.R. 12113—To revise and restate certain functions and duties of the Comptroller General of the United States. This bill, requested by the Comptroller General, would give the Comptroller General some new audit responsibilities—as in the case of nonappropriated funds—and remove others, either by transfer to the executive branch—as in the case of transportation payment audits—or by decreasing the frequency of audits from 1 year to 3 years.

H.R. 12181—To direct the Comptroller General of the United States to conduct a study of the burden of reporting requirements of Federal regulatory programs on independent business establishments. This bill, introduced by our colleague, Mr. Yatron, has numerous cosponsors and reflects a problem of great concern and difficulty: How to balance the needs of the Government and the public for certain types of business information against the resulting burdens on industry, particularly small business.

The Comptroller General, who was given certain responsibilities for monitoring Federal regulatory reporting requirements on business by an amendment to the Alaska Pipeline Act, will tell us what he is doing in this area, and will give us his views on the proposed legislation.

(1)

H.R. 14718—To discontinue or modify certain reporting requirements imposed on Federal agencies by statute. This bill is the direct result of a study conducted by the General Accounting Office at my request, in the interest of eliminating reports no longer considered necessary, and of modifying others to produce more useful information.

This bill has been checked out with the House committees and, I believe, has no controversial elements. A few adjustments may be made to incorporate suggestions which we have received. Substantial savings would result from enactment of this bill.

[The bills, H.R. 12113, H.R. 12181, and H.R. 14718, follow:]

93d CONGRESS
1st Session

H. R. 12113

IN THE HOUSE OF REPRESENTATIVES

DECEMBER 21, 1973

Mr. HOLIFIELD (for himself and Mr. HORTON) (by request) introduced the following bill; which was referred to the Committee on Government Operations

A BILL

To revise and restate certain functions and duties of the Comptroller General of the United States and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "General Accounting
4 Office Act of 1973."

5 TITLE I—STATISTICAL SAMPLING PROCEDURES

6 IN THE EXAMINATION OF VOUCHERS

7 SEC. 101. Subsection (a) of Public Law 88-521, ap-
8 proved August 30, 1964 (31 U.S.C. 82b-1 (a)), is
9 amended to read:

10 “(a) Whenever the head of any department or agency
11 of the Government or the Commissioner of the District of

1 Columbia determines that economies will result therefrom,
2 such agency head or the Commissioner may prescribe the
3 use of adequate and effective statistical sampling procedures
4 in the examination of disbursement vouchers not exceeding
5 such amounts as may from time to time be prescribed by the
6 Comptroller General of the United States; and no certifying
7 or disbursing officer acting in good faith and in conformity
8 with such procedures shall be held liable with respect to any
9 certification or payment made by him on a voucher which
10 was not subject to specific examination because of the pre-
11 scribed statistical sampling procedure: *Provided*, That such
12 officer and his department or agency have diligently pursued
13 collection action to recover the illegal, improper, or incorrect
14 payment in accordance with procedures prescribed by the
15 Comptroller General. The Comptroller General shall include
16 in his reviews of accounting systems an evaluation of the
17 adequacy and effectiveness of procedures established under
18 the authority of this Act."

19 TITLE II—AUDIT OF TRANSPORTATION

20 PAYMENTS

21 SEC. 201. (a) Section 322 of the Transportation Act of
22 1940, as amended (49 U.S.C. 66), is further amended by
23 deleting from subsection (a) the first sentence thereof and
24 substituting therefor the following: "Payment for transporta-

1 tion of persons or property for or on behalf of the United
2 States by any carrier or forwarder shall be made upon pres-
3 entation of bills therefore prior to audit by the executive
4 agency or agencies designated by the Director of the Office
5 of Management and Budget, but the right is reserved to the
6 United States Government to deduct the amount of any over-
7 charge by any carrier or forwarder from any amount subse-
8 quently found to be due such carrier or forwarder. This does
9 not affect the authority of the General Accounting Office to
10 make audits in accordance with the Budget and Accounting
11 Act, 1921, as amended (31 U.S.C. 41), and the Account-
12 ing and Auditing Act of 1950, as amended (31 U.S.C.
13 65)."

14 SEC. 201. (b) Section 322 of the Transportation Act of
15 1940, as amended (49 U.S.C. 66), is further amended by
16 deleting from the second proviso of subsection (a) the words
17 "the General Accounting Office" in the two places where
18 they appear and substituting therefor in the first place the
19 words "the executive agency or agencies designated by the
20 Director of the Office of Management and Budget," and in
21 the second place the words "such executive agency".

22 SEC. 201. (c) Section 322 of the Transportation Act of
23 1940, as amended (49 U.S.C. 66), is further amended by
24 redesignating the present subsection "(b)" as subsection

1 “(c),” the present subsection “c” as subsection “d”, and in-
2 serting the following new subsection (b) :

3 “(b) Nothing in subsection (a) hereof shall be deemed
4 to prevent any carrier or forwarder from requesting the
5 Comptroller General to review the action on his claim by
6 the executive agency designated by the Director of the Office
7 of Management and Budget: *Provided, however,* That such
8 request shall be forever barred unless received in the General
9 Accounting Office within six months (not including any time
10 of war) from the date the action was taken or within the
11 periods of limitation specified in the second proviso in sub-
12 section (a) of this section, whichever is later.”

13 SEC. 202. (a) Incident to the transfer of functions to
14 an executive agency under section 801 of this Act, there
15 shall be transferred to such agency such records, property,
16 personnel, appropriations, and other funds of the General
17 Accounting Office as the Comptroller General and the Di-
18 rector of the Office of Management and Budget, after consul-
19 tation with the agency concerned, shall jointly determine.

20 (b) The transfer of personnel pursuant to subsection (a)
21 of this section shall be without reduction in classification or
22 compensation for one year after such transfer.

23 SEC. 203. The transfer of functions authorized by sec-
24 tions 201 and 202 of this Act shall be fully effected not later
25 than July 1, 1976.

1 TITLE III—AUDIT OF NONAPPROPRIATED
2 FUND ACTIVITIES

3 SEC. 301. (a) The operations of nonappropriated funds
4 and related activities within the executive branch, such as
5 the Army and Air Force Exchange Service, Navy Ex-
6 changes, Marine Corps Exchanges, Coast Guard Exchanges,
7 and Exchange Councils of the National Aeronautics and
8 Space Administration, the systems of accounting and internal
9 control and any internal or independent audits or reviews
10 of such funds and activities, unless otherwise provided by
11 law shall be subject to review by the Comptroller General
12 of the United States in accordance with such principles and
13 procedures and under such rules and regulations as he may
14 prescribe. The Comptroller General and his duly authorized
15 representatives shall have access to such books, accounts,
16 records, documents, reports, files, and other papers, things,
17 or property relating to such funds and activities as are
18 deemed necessary by the Comptroller General.

19 (b) To aid the Comptroller General in planning audits
20 or reviews under subsection (a) of this section, each non-
21 appropriated fund activity within the executive branch of
22 the Government shall furnish to the Comptroller General
23 at such times and in such form as he shall require an annual
24 report of the operations of such activity, including an an-

1 nual statement of financial operations, financial condition,
2 and cash flow.

3 TITLE IV—EMPLOYMENT OF EXPERTS AND
4 CONSULTANTS

5 SEC. 401. (a) The Comptroller General is authorized
6 to employ not to exceed ten experts on a permanent, tempo-
7 rary, or intermittent basis and to obtain services as authorized
8 by section 3109 of title 5, United States Code, but in either
9 case at a rate (or the daily equivalent) for individuals not
10 to exceed the rate for level V of the Executive Schedule (5
11 U.S.C. 5316).

12 (b) The provisions of sections 3323 (a), 5532, and 8344
13 of title 5, United States Code, and any other law prohibiting
14 or limiting the reemployment of retired officers or employees
15 or the simultaneous receipt of compensation and retired pay
16 or annuities shall not apply to individuals employed as ex-
17 perts or consultants under subsection (a) of this section.

18 TITLE V—GENERAL ACCOUNTING OFFICE
19 BUILDING

20 SEC. 501. Notwithstanding any other provision of law,
21 the Comptroller General shall have exclusive custody and
22 control over the General Accounting Office Building, includ-
23 ing the operation, maintenance, repairs, alterations, and
24 assignment of space therein. The Comptroller General and
25 the head of any Federal agency may enter into agreements

1 for space to be occupied in the General Accounting Office
2 Building by such agency at such rates as may be agreed
3 upon. Amounts received by the General Accounting Office
4 pursuant to such agreements will be deposited to the appro-
5 priation initially charged for providing operation, mainte-
6 nance, repair and alteration services with respect to such
7 space. The Comptroller General is authorized to lease build-
8 ings or parts of buildings in the District of Columbia (with-
9 out regard to section 34 of title 40, United States Code) or
10 elsewhere for the use of the General Accounting Office for a
11 period not to exceed ten years.

12 TITLE VI--AUDITS OF GOVERNMENT

13 CORPORATIONS

14 AMENDMENTS TO THE GOVERNMENT CORPORATION

15 CONTROL ACT

16 SEC. 601. (a) Section 105 of the Government Corpora-
17 tion Control Act (31 U.S.C. 850) is amended by adding
18 thereto the following sentence: "Effective January 1, 1973,
19 each wholly owned Government corporation shall be audited
20 at least once in every three years".

21 (b) The first sentence of section 106 of such Act (31
22 U.S.C. 851) is amended to read as follows: "A report of
23 each audit conducted under section 105 shall be made by
24 the Comptroller General to the Congress not later than six

1 and one-half months following the close of the last year
2 covered by such audit”.

3 (c) Section 202 of such Act (31 U.S.C. 857) is
4 amended by adding thereto the following sentence: “Effec-
5 tive January 1, 1973, each mixed-ownership Government
6 corporation shall be audited at least once in every three
7 years”.

8 (d) The first sentence of section 203 of such Act (31
9 U.S.C. 858) is amended to read as follows: “A report of
10 each audit conducted under section 202 shall be made by
11 the Comptroller General to the Congress not later than six
12 and one-half months following the close of the last year
13 covered by such audit”.

14 AMENDMENTS TO THE FEDERAL DEPOSIT INSURANCE ACT

15 SEC. 602. (a) Section 17 (b) of the Federal Deposit
16 Insurance Act (12 U.S.C. 1827 (b)) is amended by adding
17 thereto the following sentence: “The Corporation shall be
18 audited at least once in every three years”.

19 (b) The first and second sentences of section 17 (c) of
20 such Act (122 U.S.C. 1827 (c)) are deleted and the follow-
21 ing is inserted in their place: “A report of each audit con-
22 ducted under subsection (b) of this section shall be made
23 by the Comptroller General to the Congress not later than
24 six and one-half months following the close of the last year
25 covered by such audit”.

1 AMENDMENT TO FEDERAL CROP INSURANCE ACT

2 SEC. 603. Section 513 of the Federal Crop Insurance
3 Act (52 Stat. 76; 7 U.S.C. 1513) is amended to read as
4 follows: "The Corporation shall at all times maintain com-
5 plete and accurate books of accounts and shall file annually
6 with the Secretary of Agriculture a complete report as to
7 the business of the Corporation".

8 AMENDMENTS TO THE HOUSING AND URBAN
9 DEVELOPMENT ACT OF 1968

10 SEC. 604. Section 107 (g) of the Housing and Urban
11 Development Act of 1968 (12 U.S.C. 1701 (g)) is
12 amended by:

13 (1) adding a new sentence at the end of subpara-
14 graph (1) thereof as follows: "Such audit shall be
15 made at least once in every three years".

16 (2) substituting the following sentence in lieu of
17 the first sentence in subparagraph (2) thereof: "A re-
18 port of each such audit shall be made by the Comp-
19 troller General to the Congress not later than six and
20 one-half months following the close of the last year
21 covered by such audit".

22 AMENDMENT TO DISTRICT OF COLUMBIA
23 REDEVELOPMENT ACT OF 1945

24 SEC. 605. Section 17 of the District of Columbia Re-
25 development Act of 1945 (60 Stat. 801) is amended by

1 deleting the word "annual" from the clause "such books
2 shall be subject to annual audit by the General Accounting
3 Office".

4 TITLE VII—REVISION OF ANNUAL AUDIT
5 REQUIREMENTS

6 AMENDMENT TO FEDERAL PROPERTY AND ADMINISTRA-
7 TIVE SERVICES ACT OF 1949

8 SEC. 701. Section 109 (c) of the Federal Property
9 and Administrative Services Act of 1949 (40 U.S.C.
10 756 (e)) is amended to read as follows:

11 "(c) (1) As of June 30 of each year, there shall be
12 covered into the United States Treasury as miscellaneous re-
13 ceipts any surplus in the General Supply Fund, all assets, lia-
14 bilities, and prior losses considered, above the amounts trans-
15 ferred or appropriated to establish and maintain said fund.

16 "(2) The Comptroller General shall make audits of the
17 General Supply Fund in accordance with the provisions of
18 the Accounting and Auditing Act of 1950 and make reports
19 on the results thereof."

20 AMENDMENT TO THE FEDERAL AVIATION ACT OF 1958

21 SEC. 702. That part of the second sentence of section
22 1307 (f) of the Federal Aviation Act of 1958 (49 U.S.C.
23 1537 (f)) which precedes the proviso is amended to read as
24 follows: "The Secretary shall maintain a set of accounts
25 which shall be audited by the Comptroller General in ac-

11

1 cordance with the provisions of the Accounting and Auditing
2 Act of 1950".

3 AMENDMENT WITH RESPECT TO THE BUREAU OF
4 ENGRAVING AND PRINTING FUND

5 SEC. 703. Section 6 of the Act entitled "An Act to pro-
6 vide for financing the operations of the Bureau of Engraving
7 and Printing, Treasury Department, and for other purposes"
8 (31 U.S.C. 181d) is amended to read as follows: "The finan-
9 cial transactions, accounts, and reports of the fund shall be
10 audited by the Comptroller General in accordance with the
11 provisions of the Accounting and Auditing Act of 1950".

12 AMENDMENT WITH RESPECT TO THE VETERANS'
13 CANTEEN SERVICE

14 SEC. 704. Section 4207 of title 38, United States Code,
15 is amended to read as follows:

16 "§ 4207. Audit of accounts.

17 "The Service shall maintain a set of accounts which shall
18 be audited by the Comptroller General in accordance with
19 the provisions of the Accounting and Auditing Act of 1950".

20 AMENDMENT WITH RESPECT TO THE HIGHER
21 EDUCATION INSURED LOAN PROGRAM

22 SEC. 705. Paragraph (2) of section 432 (b) of the
23 Higher Education Act of 1965 (20 U.S.C. 1082 (b) (2))
24 is amended to read as follows:

25 "(2) maintain with respect to insurance under this

1 part a set of accounts, which shall be audited by the
2 Comptroller General in accordance with the provisions
3 of the Accounting and Auditing Act of 1950, except
4 that the transactions of the Commissioner, including the
5 settlement of insurance claims and of claims for pay-
6 ments pursuant to section 428, and transactions related
7 thereto and vouchers approved by the Commissioner in
8 connection with such transactions, shall be final and con-
9 clusive upon all accounting and other officers of the
10 Government”.

11 (b) Section 402 (a) (2) of the Housing Act of 1950
12 (64 Stat. 78; 12 U.S.C. 1749a (a) (2)) is amended to read
13 as follows:

14 “(2) maintain a set of accounts which shall be
15 audited by the Comptroller General in accordance with
16 the provisions of the Accounting and Auditing Act of
17 1950: *Provided*, That such financial transactions of the
18 Administrator as the making of loans and vouchers ap-
19 proved by the Administrator in connection with such
20 financial transactions shall be final and conclusive upon
21 all officers of the Government.”

22 AMENDMENT TO THE FEDERAL CREDIT UNION ACT

23 SEC. 706. Section 209 (b) (2) of the Federal Credit
24 Union Act as added by section 1 of Public Law 91-468 (12

1 U.S.C. 1789 (b) (2)) is amended by deleting the word "an-
2 nually" therefrom.

3 AMENDMENT WITH RESPECT TO AUDIT OF THE GOVERN-
4 MENT PRINTING OFFICE

5 SEC. 707. The third sentence of subsection 309 (e) of
6 title 44 of the United States Code is amended to read as fol-
7 lows: "The Comptroller General shall audit the activities of
8 the Government Printing Office at least once in every three
9 years and shall furnish reports of such audits to the Congress
10 and the Public Printer."

93RD CONGRESS
2^D SESSION

H. R. 12181

IN THE HOUSE OF REPRESENTATIVES

JANUARY 21, 1974

Mr. YATRON introduced the following bill; which was referred to the Committee on Government Operations

A BILL

To direct the Comptroller General of the United States to conduct a study of the burden of reporting requirements of Federal regulatory programs on independent business establishments, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Federal Paperwork
4 Burden Relief Act".

5 SEC. 2. The Comptroller General of the United States
6 shall conduct a study of the reporting requirements of Fed-
7 eral regulatory programs, to determine the extent to which
8 these requirements may be revised to lessen the burden upon
9 small and independent business establishments. The Comp-

2

1 troller General shall complete the study within one year
2 of the enactment of this Act and shall make a report to the
3 Congress thereon within one year of the date of enactment
4 of this Act. Such report shall contain the recommendations
5 of the Comptroller General for such administrative actions
6 and legislative enactments as he may deem appropriate.

93RD CONGRESS
2ND SESSION

H. R. 14718

IN THE HOUSE OF REPRESENTATIVES

MAY 9, 1974

Mr. HOLIFIELD (for himself and Mr. HORTON) introduced the following bill;
which was referred to the Committee on Government Operations

A BILL

To discontinue or modify certain reporting requirements of law.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That the following reporting requirements, which relate to
4 the submission of certain reports to Congress or other Gov-
5 ernment authority, are hereby repealed, as follows:

6 "REPORTS UNDER MORE THAN ONE AGENCY

7 “(1) The annual report to the appropriate committees
8 of both Houses of Congress concerning grants for basic
9 scientific research (72 Stat. 1793; 42 U.S.C. 1893).
10 “(2) The report from time to time to the Congress,
11 by the Attorney General, the Secretary of the Interior,
12 and the Secretary of the Navy, concerning the conditions

1 specified in section 1 of Public Law 83-547 involving facil-
2 ities to provide water for irrigation, etc., from the San
3 Margarita River, California (68 Stat. 578).

4 "REPORTS UNDER THE DEPARTMENT OF COMMERCE

5 "(3) The annual report to Congress showing total
6 expenditures for food and other subsistence supplies, for
7 resale to employees of the Department of Commerce and
8 other Federal agencies, and their dependents in Alaska
9 and other points outside of the continental United States,
10 and the proceeds from such resales (63 Stat. 908; 15 U.S.C.
11 1514 (b)).

12 "(4) The annual report to Congress, through the
13 Treasury Department, of claims not to exceed \$500 settled
14 under the Act of June 5, 1920, and the amounts so ascer-
15 tained and determined to be due the claimants (41 Stat.
16 1504; 33 U.S.C. 853).

17 "REPORTS UNDER THE DEPARTMENT OF DEFENSE

18 "(5) The annual report to the Congress by the Secre-
19 tary of the Air Force on the number of officers in the execu-
20 tive part of the Department of the Air Force and the justifica-
21 tion therefor (10 U.S.C. 8031 (c)).

22 "(6) The quarterly report by the Secretary of the
23 Army to the Congress on the number of officers in the execu-
24 tive part of the Department of the Army, the number of

1 commissioned officers on or with the Army General Staff
2 and the justification therefor (10 U.S.C. 3031 (c)).

3 “ (7) The quarterly reports by the Secretary of Defense
4 to the Committees on Appropriations of the Senate and
5 House of Representatives concerning items ordered, but yet
6 to be delivered, against reserves of unobligated amounts of
7 allocations for military assistance and, those reports re-
8 quired not less often than each quarter containing a detailed
9 breakdown, on a delivery or service-rendered basis, on all
10 military assistance funds allocated and available to the De-
11 partment of Defense as of the end of the preceding quarter
12 (69 Stat. 439; 70 Stat. 735) .

13 “REPORTS UNDER THE DEPARTMENT OF HEALTH,
14 EDUCATION, AND WELFARE

15 “ (8) The annual report of the National Center for
16 Deaf-Blind Youths and Adults, through the Secretary of the
17 Department of Health, Education, and Welfare, to the Con-
18 gress with comments and recommendations as the Secretary
19 deems appropriate (81 Stat. 251; 29 U.S.C. 42a (c) (2)) .

20 “REPORTS UNDER THE DEPARTMENT OF HOUSING AND
21 URBAN DEVELOPMENT

22 “ (9) The annual report by the Secretary to the Com-
23 mittee on Banking and Currency of the House of Represent-
24 atives and the Committee on Banking, Housing and Urban
25 Affairs, of the Senate identifying specific areas of program

1 administration and management which require improvement,
2 describing actions taken and proposed for the purpose of
3 making such improvements, and recommending such legis-
4 lation as may be necessary to accomplish such improvements
5 (82 Stat. 477; 84 Stat. 1816; 12 U.S.C. 1701 c note).

6 "REPORTS UNDER THE DEPARTMENT OF THE INTERIOR

7 "(10) The annual report by the Secretary to the Presi-
8 dent, and transmitted by the President to the Congress, re-
9 lating to a program to develop, preserve, and restore the re-
10 sources of the Hudson River as required by section 3 of
11 Public Law 89-605, as amended (80 Stat. 848; 84 Stat.
12 203).

13 "(11) The annual report to the Congress by the Sec-
14 retary on acquisitions of land and interests in land, or agree-
15 ments entered into with respect to land, necessary to pre-
16 serve, protect, and improve Antietam Battlefield, Maryland
17 (74 Stat. 80; 16 U.S.C. 430oo).

18 "(12) The annual report to the Congress by the Sec-
19 retary on actions taken under the program for sealing of
20 abandoned coal mines or the filling of voids in abandoned
21 coal mines (69 Stat. 353; 76 Stat. 935; 30 U.S.C. 575).

22 "(13) The annual report to the Congress by the Secre-
23 tary, acting through the Bureau of Mines, on the activities
24 of, expenditures by, and donations to, the research laboratory

1 in the lignite-consuming region of North Dakota (62 Stat.
2 85; 30 U.S.C. 403).

3 “(14) The annual report to the Congress by the Sec-
4 retary on the operations of programs to stimulate exploration
5 for minerals within the United States, its territories and pos-
6 sessions together with his recommendations regarding the
7 need for such programs (72 Stat. 701; 79 Stat. 1312; 30
8 U.S.C. 645).

9 “(15) The reports to the Congress by the Secretary of
10 all laws passed by the Legislature of Guam as reported to the
11 Secretary by the Governor of Guam (64 Stat. 389; 48
12 U.S.C. 1423i).

13 “(16) The annual progress report, through the Secre-
14 tary, by the tribal business committee representing the full-
15 blood group of the Ute Indian Tribe of the Uintah and Ouray
16 Reservation in Utah, of its activities and the expenditures
17 authorized under Public Law 83-671 (68 Stat. 877; 25
18 U.S.C. 677w).

19 “(17) The report to the Committees on Interior and
20 Insular Affairs of the Senate and House of Representatives,
21 on every loan made under the Act of November 4, 1963,
22 Public Law 88-168 (77 Stat. 301; 25 U.S.C. 70n-3).

23 “(18) The semiannual report to the Congress of nego-
24 tiated contracts for the disposition of materials or products
25 on public lands (76 Stat. 588; 30 U.S.C. 602 (b)).

1 “(19) The annual report to the Congress by the Secre-
2 tary on all agreements whereby the United States or its
3 lessees, shall be compensated for drainage of oil or gas from
4 United States-owned land resulting from wells drilled on
5 adjacent lands (74 Stat. 783; 30 U.S.C. 226 (g)).

6 “(20) The submission to the President of the Senate
7 and the Speaker of the House of Representatives of copies of
8 grants, contracts, and other matching arrangements, sixty
9 days prior to award of same, under section 200 (a) of the
10 Water Resources Research Act of 1964 (80 Stat. 130; 42
11 U.S.C. 1961b (b)).

12 “(21) The report to Congress by the Secretary, from
13 time to time, on classifications and reclassifications of recla-
14 mation project lands (53 Stat. 1193; 43 U.S.C. 485g (f)).

15 “(22) The report to the Congress by the Secretary,
16 at the end of each five-year period after incorporation of
17 Boulder City concerning the need for assistance to the mu-
18 nicipality for its water supply (72 Stat. 1734) .

19 “REPORTS UNDER THE DEPARTMENT OF TRANSPORTATION

20 “(23) The semiannual report to appropriate commit-
21 tees of the Congress by the Secretary on agreements pro-
22 viding for the detail of members of the armed services to the
23 Federal Aviation Administration (72 Stat. 745; 49 U.S.C.
24 1343 (a) (3)).

1 “(24) The biennial authorization requests to the Con-
2 gress by the Secretary together with his recommendations
3 regarding adjustments in the schedule for liquidation of ob-
4 ligations pursuant to section 4 (d) of the Urban Mass Trans-
5 portation Act of 1964 (84 Stat. 965; 49 U.S.C. 1603 (d)).

6 “REPORTS UNDER THE ATOMIC ENERGY COMMISSION

7 “(25) The triennial report to the Joint Committee on
8 Atomic Energy by the Commission on a full review of its
9 activities under the Atomic Energy Community Act of 1955
10 (69 Stat. 483; 42 U.S.C. 2314) .

11 “REPORTS UNDER THE OFFICE OF ECONOMIC OPPORTUNITY

12 “(26) The annual report to the Congress submitted by
13 the Director through the President concerning officers or
14 employees whose compensation is subject to the limitation
15 set forth in section 610-1 (a) of the Economic Opportunity
16 Act of 1964 and who were receiving at the end of the fiscal
17 year a salary of \$10,000 or more per year (80 Stat. 1470;
18 42 U.S.C. 2951 (b)) .”

19 SEC. 2. The frequencies of submission of the following
20 reports to the Congress or other Government authority are
21 hereby modified as follows:

22 “(1) From quarterly to semiannual submission to the
23 President and to the Congress by the Secretary of Commerce
24 of a report on his operations under the Export Administra-
25 tion Act of 1969 (83 Stat. 846; 50 U.S.C. App. 2409) .

1 “(2) From semiannual to annual submission to the
2 Committees on Armed Services of the Senate and the House
3 of Representatives by the Secretary of Defense of a progress
4 report on the cataloging program and a report on the progress
5 of the standardization program (10 U.S.C. 2455).

6 “(3) From not less often than quarterly to annual
7 submission to the Congress by the Federal Civil Defense
8 Administrator of a report on contributions to the States for
9 civil defense purposes (report now required from the Secretary
10 of Defense pursuant to Reorganization Plan Numbered
11 1 of 1958, 72 Stat. 1799, as implemented by Executive
12 Order Numbered 10952, 26 F.R. 6577) (64 Stat. 1251; 50
13 U.S.C. App. 2281 (i)).

14 “(4) From semiannual to annual submission to the
15 Congress, by the Secretary of Defense, of reports concerning
16 lethal and nonlethal chemical and biological agents (83
17 Stat. 209; 50 U.S.C. 1511).

18 “(5) From semiannual to annual submission to the
19 Committees on Armed Services of the Senate and House of
20 Representatives, by the Secretary of each military department,
21 on the administration of (10 U.S.C. 2674—2674
22 (f)).

23 “(6) From as soon as possible after the approval of
24 any project to annual submission to the Congress of a report
25 by the Secretary of the Department of Health, Education,

1 and Welfare on projects approved under section 1120 (a)
2 of the Social Security Act (81 Stat. 920; 42 U.S.C. 1320
3 (b)).

4 “(7) From semiannual to annual submission to the
5 Speaker of the House of Representatives and the President
6 of the Senate, by the Secretary of the Interior, of a report
7 on all actions taken pursuant to Public Law 87-626 (76 Stat.
8 427; 43 U.S.C. 31 (c)).”

9 SEC. 3. To modify substantive aspects of certain require-
10 ments to report to Congress or other Government authority,
11 the following provisions of law are hereby amended as fol-
12 lows:

13 (1) Section 410 (d) of Public Law 91-121, approved
14 November 19, 1969 (83 Stat. 212; 50 U.S.C. 1436 (d)),
15 is hereby amended to read as follows:

16 “(d) The Secretary of Defense shall, not later than De-
17 cember 31 of each year, file with the President of the Sen-
18 ate and the Speaker of the House of Representatives a report
19 on persons who have filed reports with him for the preceding
20 fiscal year pursuant to subsections (b) (1) and (b) (2) of
21 this section. The Secretary shall include in the report such
22 information as he deems appropriate and shall list the de-
23 fense contractors for whom these persons worked or for
24 whom they performed services.”

1 (2) Section 1308 (b) of title 5 of the United States
2 Code is hereby amended to read as follows:

3 “(b) The Commission shall report annually to the Pres-
4 ident for transmittal to Congress on the administration of
5 chapter 41 of this title, including the information received by
6 the Commission from the agencies under section 4113 (b)
7 (3) of this title.”

8 (3) Section 705 (d) of the Civil Rights Act of 1964
9 (78 Stat. 258; 42 U.S.C. 2000e-4 (d)) is hereby amended
10 to read as follows:

11 “(d) The Commission shall at the close of each fiscal
12 year report to the Congress and to the President concerning
13 the action it has taken and the moneys it has disbursed. It
14 shall make such further reports on the cause of and means
15 of eliminating discrimination and such recommendations for
16 further legislation as may appear desirable.”

17 (4) Section 4 (d) of the Federal Water Power Act, as
18 amended (49 Stat. 840; 16 U.S.C. 797 (d)), is hereby
19 amended to read as follows:

20 “(d) To make public from time to time the information
21 secured hereunder and to provide for the publication of its
22 reports and investigations in such form and manner as may
23 be best adapted for public information and use. The Com-
24 mission shall submit, as part of its annual report to the Con-
25 gress for the fiscal year preceding, a classified report show-

1 ing the permits and licenses issued under this part, and in
2 each case the parties thereto, the terms prescribed, and the
3 moneys received if any, or account thereof.”

4 (5) Section 8 of the Fair Packaging and Labeling Act
5 (80 Stat. 1300; 15 U.S.C. 1457) is hereby amended to
6 read as follows:

7 “SEC. 8. Each officer or agency required or authorized
8 by this Act to promulgate regulations for the packaging or
9 labeling of any consumer commodity, or to participate in the
10 development of voluntary product standards with respect to
11 any consumer commodity under procedures referred to in
12 section 5 (d) of the Act, shall transmit to the Congress each
13 year a report containing a full and complete description of
14 the activities of that officer or agency for the administration
15 and enforcement of this Act during the preceding fiscal year.
16 All agencies except the Federal Trade Commission shall
17 submit their report in January of each year. The Federal
18 Trade Commission shall include this report in the Commis-
19 sion’s annual report to Congress.”

20 (6) Section 2304 (e) of title 10 of the United States
21 Code is hereby amended to read as follows:

22 “(e) A report shall be made to Congress, on May 19
23 and November 19 of each year, by each agency subject to
24 this chapter, except the National Aeronautics and Space
25 Administration, of the purchases and contracts made under

1 clauses (11) and (16) of subsection (a) during the period
2 since the date of the last report. The report shall—

3 “(1) name each contractor;

4 “(2) state the amount of each contract; and

5 “(3) describe, with consideration of the national
6 security, the property and services covered by each
7 contract.”

8 (7) Section 3 (e) of the National Labor Relations
9 Act (49 Stat. 451; 29 U.S.C. 153 (e)) is hereby amended
10 to read as follows:

11 “(e) The Board shall at the close of each fiscal year
12 make a report in writing to Congress and to the President
13 stating in detail the cases it has heard, the decisions it has
14 rendered, and an account of all moneys it has disbursed.”

15 (8) Section 10 (a) of the Small Business Act, as
16 amended (75 Stat. 666; 15 U.S.C. 639 (a)) is hereby
17 amended to read as follows:

18 “(a) The Administration shall make a report on Decem-
19 ber 31 of each year of operations under this Act to the
20 President, the President of the Senate, and the Speaker of
21 the House of Representatives. Such report shall provide
22 summary information on business concerns for whom financ-
23 ing is arranged by the Administration, together with the
24 amounts involved.”

Chairman HOLIFIELD. We will hear the Comptroller General on all the matters before us. Then, we will proceed to hear other Government witnesses, Members of Congress, and others.

Comptroller General Staats, will you take the stand?

I want to express my personal pleasure at seeing my old friend Bob Keller here this morning. It has been quite awhile since he has been before us. We are glad to see you back at work, Bob. I know you have been working for quite awhile since your hospital trip. I am glad to see you feeling better, in fact, well enough to take on Congress this morning.

Mr. KELLER. Thank you, Mr. Chairman. You are very kind.

Chairman HOLIFIELD. Mr. Staats.

STATEMENT OF ELMER B. STAATS, COMPTROLLER GENERAL OF THE UNITED STATES; ACCOMPANIED BY ROBERT F. KELLER, DEPUTY COMPTROLLER GENERAL; PAUL G. DEMBLING, GENERAL COUNSEL; PHILLIP S. HUGHES, ASSISTANT COMPTROLLER GENERAL; E. H. MORSE, JR., ASSISTANT COMPTROLLER GENERAL; T. E. SULLIVAN, DIRECTOR, TRANSPORTATION AND CLAIMS DIVISION; WILLIAM CONRARDY, DIRECTOR, OFFICE OF PROGRAM PLANNING; CLERIS P. PIN, DIRECTOR, OFFICE OF ADMINISTRATIVE PLANNING AND SERVICES; RICHARD R. PIERSON, ASSISTANT GENERAL COUNSEL; THOMAS F. WILLIAMSON, SENIOR ATTORNEY; JOHN LANDICHO, ASSOCIATE DIRECTOR, GENERAL GOVERNMENT DIVISION; BERTRAM H. ROSEN, ASSISTANT DIRECTOR, FINANCIAL AND GENERAL MANAGEMENT STUDIES DIVISION; JAMES KARDOKUS, SUPERVISORY AUDITOR, FINANCIAL AND GENERAL MANAGEMENT STUDIES DIVISION; AND ROGER L. SPERRY, LEGISLATIVE ADVISER, OFFICE OF CONGRESSIONAL RELATIONS

Mr. STAATS. I might add I am also glad that he is here. We appreciate your arranging for this hearing. We appreciate very much the heavy load which this committee has had, particularly this year. There have been a great many important pieces of legislation which you have had to consider.

I would like to say a word to you. While I have appeared before this committee a great many times before becoming Comptroller General, this is the first time I have been here on a matter affecting our organic statute, the Budget and Accounting Act of 1921. In looking back over the record, it appears that possibly this is the first time in 25 years that this committee has had to address itself to the general authorities and functions of the General Accounting Office.

Chairman HOLIFIELD. I think this probably proves that the original Budget and Accounting Act, and the amendments of 1950, were very fine statutes. They were well drafted.

Mr. STAATS. That is right.

Chairman HOLIFIELD. And I believe they are accomplishing the purposes that Congress wanted to accomplish.

Mr. STAATS. We think the 1921 act stood up very well. The 1950 legislation was another landmark. These two statutes provide, we think, a very good general charter for the role and functions which our office plays.

Chairman HOLIFIELD. It is very unusual for a statute to remain in effect that long without frequent changes. I think it is a remarkable record. I think it has served the Congress and the people well.

You may proceed.

Mr. STAATS. You have already stated the three bills for which we are appearing here today, so I will start with page 2 of my statement, if I may.

As you know, H.R. 12113 was drafted and submitted by our office. The bill contains provisions that we consider important to make our operation more efficient, and to give us somewhat more flexibility in carrying out statutory responsibilities assigned us by the Congress. I would like briefly to discuss each of the seven titles in the bill.

TITLE I, STATISTICAL SAMPLING PROCEDURES IN THE EXAMINATION OF VOUCHERS

Public Law 88-521, approved August 30, 1964, gives heads of departments and agencies and the Commissioner of the District of Columbia the authority to allow the use of statistical sampling in the examination of disbursement vouchers for amounts less than \$100.

The law also provides that certifying and disbursing officers acting in good faith and using such procedures are relieved of liability for improper certification of payment of vouchers that may not have been examined because of the statistical sampling plan used.

Title I would amend subsection (a) of Public Law 88-521 so as to eliminate the current \$100 limitation on the amount of disbursement vouchers subject to audit by statistical sampling and in its place would impose a limitation of such amount as from time to time is prescribed by the Comptroller General.

It also would add a new requirement that the Comptroller General include in his reviews of accounting systems an evaluation of the adequacy and effectiveness of procedures established under authority of the amended act.

Since the original legislation, enacted in August 1964, the cost of doing business has increased significantly. The Consumer Price Index has risen from 93 for August 1964, to 144 for April 1974, a gain of 51 points.

The result is that a great many disbursement vouchers previously subject to sampling and, therefore, exempt from 100-percent audit now must be audited due to increased costs and the \$100 limitation imposed by law. Agency savings are diminished because of the increasing number of vouchers over \$100 that must be audited on a 100-percent basis.

The studies which resulted in this proposed legislation showed that in the early 1960's about 65 percent of all vouchers were under \$100. During 1970, the percentage of vouchers under \$100 had dropped to 51 percent. A 1971 survey showed that only 12 agencies were using the sampling procedure.

One department—Justice—reported that 95 percent of its vouchers exceeded the \$100 limitation. The executive agencies strongly support

raising the limitation. Agencies reporting under the survey estimated annual savings in excess of \$1.5 million. By raising the ceiling to \$250, the savings would increase by about 35 percent for the 12 agencies currently using the sampling procedure. Additional savings would be achieved as other agencies find it worthwhile to use the sampling procedure under the higher ceiling.

The amended language authorizing the Comptroller General to establish the upper limit for disbursement vouchers that may be sampled, and to change this limit from time to time as conditions warrant, will avoid the current problem of having a limitation fixed by law that only can be changed by the lengthy process of changing the law.

Nothing in the amending language will permit a department or agency to use statistical sampling indiscriminately up to the limit established by the Comptroller General. Rather, each user will have to demonstrate, by acceptable study, that economies will result up to the limit they propose to use. Thus, we envision that varying limits that are below the maximum established by the Comptroller General will be used by different agencies.

TITLE II, AUDIT OF TRANSPORTATION PAYMENTS

Title II, section 201, amends section 322 of the Transportation Act of 1940, to continue the requirement, contained in the law since 1940, for payment of carrier bills upon presentation, but makes it clear that the primary responsibility for the audit of transportation bills and the recovery of overcharges is to be removed from the GAO and placed in one or more executive agencies designated by the Director of the Office of Management and Budget. The GAO transportation audit responsibilities and related functions would then conform to the procedures for the audit of Government payments generally.

Section 202 provides for the transfer of the necessary records, property, personnel, appropriations, and funds. It also provides certain job protection for transferred employees similar to that contained in section 9(h) of Public Law 89-670, which created the Department of Transportation.

Specifically, it provides for transfer without reduction in classification or compensation for 1 year after such transfer. There has been some concern about the extent of protection offered by the bill, and when I complete my statement I would like to offer an amendment I believe will clarify this provision.

Section 203 provides a time period within which to accomplish the transfer of functions. The GAO presently determines the correctness of charges paid for freight and passenger transportation services furnished for the account of the United States.

This audit of Government transportation payments includes the functions of recovering overcharges, settling transportation claims both by and for the Government reviewing, evaluating, and reporting on the transportation activities of Government agencies, and assisting the agencies to improve their effectiveness in these activities.

Ordinarily, agencies that contract for goods and services determine the correctness of charges therefor prior to payment. Because the complexities of determining the correctness of transportation rates

and charges underlie delayed payment of carrier's bills, the Transportation Act of 1940 provided for payment prior to determining the correctness of the charges, a determination that was then made in the GAO as a part of the detailed, centralized audit of Government expenditures.

We now propose that the entire transportation audit function, including the settlement of claims, be transferred to the executive branch not later than July 1, 1976, with GAO retaining its oversight responsibilities as well as an appellate function enabling carriers to request the Comptroller General to review executive agency action on their claims.

The basic reason for proposing the transfer of this operation is that by its very nature it is primarily an operating function of the executive branch. Almost all of the transportation costs of the Government are incurred by executive branch agencies in the course of carrying out their operations.

This being the case, the responsibility for determining that the charges billed are technically correct belongs to the branch of Government that procures the transportation services. Under the policy established in the Budget and Accounting Procedures Act of 1950, this is true for payments for all other types of services, and it should apply to transportation as well.

The detailed transportation audit function is simply not consistent with the general purposes, objectives, and responsibilities of the GAO as they have been modernized over the past 25 years. Its primary emphasis is now on evaluating the efficiency, economy, and effectiveness of executive agency management performance and on assisting the Congress in its legislative and oversight work.

Responsibility for the detailed audit of transportation expenditures should be vested in the executive branch, subject to overall review by the GAO. This change would conform this large area of Federal expenditure to the same concept of executive management control subject to GAO post audit that applies to all other categories of expenditures.

TITLE III, AUDIT OF NONAPPROPRIATED FUNDS ACTIVITIES

Section 301(a) would authorize the Comptroller General, unless otherwise provided by law, to review the operations, systems of accounting and internal controls, and any internal or independent audits or reviews of nonappropriated funds and related activities within the executive branch.

Under this section the Comptroller General and his duly authorized representatives would have access to such documentation relating to these funds and activities as is deemed necessary.

Subsection (b) would require such nonappropriated fund activities to furnish to the Comptroller General an annual report of the operations of their activity, including annual statements of financial operations, financial conditions and cash flow.

Since 1969, when large-scale improprieties in the administration of the Army Exchange System first were disclosed, Congress has shown considerable interest in having GAO conduct comprehensive audits of nonappropriated fund activities. We have prepared numerous reports

for the House Appropriations Committee, and the House Committee on Banking and Currency.

In May 1972, Robert Keller, the Deputy Comptroller General, testified before the House Armed Services Committee on the reports prepared for the House Appropriations Committee. And in the Senate, for the past several sessions bills have been submitted with language nearly identical to the language now contained in title III.

The authority provided in section 301 would extend generally to instrumentalities that are established and operated under the control of an executive department or agency for the benefit of its personnel, and that are financed from sources other than appropriations.

There has been some confusion over the types of funds and activities that would be subject to GAO review under this title. Therefore, when I have completed my statement on this bill, I intend to offer an amendment that I believe will clarify the scope of GAO review authority under this title.

The GAO does not propose to undertake the general responsibility for auditing of nonappropriated fund activities. We believe the primary responsibility should rest with the operating agencies concerned. However, we do believe that we should have the authority to make audits on a highly selected basis in order to test the adequacy of internal audit and other internal controls and to be able to respond to the requests which we receive from Congress arising from specific complaints or allegations as to misuse of these funds.

TITLE IV, EMPLOYMENT OF EXPERTS AND CONSULTANTS

Section 401(a) would provide the Comptroller General discretion to employ on a full- or part-time basis up to 10 experts and to obtain consultant services authorized by 5 U.S.C. 3109, at a rate of compensation not to exceed level V of the Federal Executive Pay Act.

Subsection (b) would exempt individuals serving under subsection (a) from restrictions upon reemployment of retired Federal employees and simultaneous receipt of compensation and retired pay or annuities.

The GAO presently employs experts and consultants on a temporary or intermittent basis, without prior approval of the Civil Service Commission, under the authority of and subject to the conditions of 5 U.S.C. 3109, and a written agreement with the Commission. Compensation of these experts and consultants is limited to the rate for grade GS-18, and they are subject to most, if not all, of the other limitations enumerated above.

We believe that GAO is unique among Federal agencies in that we are called upon to perform tasks encompassing nearly the entire range of skills needed by the Federal Government. No other agency requires such a diversity of skills. These skills often, however, are required for only the relatively short period of time it may take to complete a particular program review.

The present restrictions on the acquisition of experts and consultants thus present very real obstacles for the GAO in its quest for the best available talent to serve the needs of Congress and discharge its increasingly more diverse and complex responsibilities. It is for this reason that provision of the proposed legislation is needed.

TITLE V, GENERAL ACCOUNTING OFFICE BUILDING

Section 501 would give the Comptroller General control of the General Accounting Office building; would provide for the subletting of space therein to other agencies; and would authorize the Comptroller General to lease additional space for the use of the General Accounting Office in the District of Columbia and elsewhere.

Insofar as the headquarters office is concerned, this would put GAO in a position generally comparable to the Government Printing Office, the Library of Congress, and the Architect of the Capitol.

The record as to why the General Accounting Office building was placed under the jurisdiction of the General Services Administration is not entirely clear but we assume that this arose from the fact that when the building was initially authorized the GAO was not clearly an agency of the legislative branch; it was considered by some in the nature of an independent agency somewhat comparable in status to the independent regulatory agencies. Under this assumption, it was logical that GSA should have the responsibility for building and managing space for GAO.

The GAO is now the only agency of the legislative branch whose headquarters space is under the jurisdiction of the GSA. We believe that managing our own building would be consistent with the pattern established for other parts of the legislative branch. Moreover, we believe that we should be completely free of any concern that GAO audit results are affected in any manner by differences of opinion which we may have from time to time as to providing our space needs and the audit of GSA space activities generally.

For example, the implementation of the new Federal buildings fund in fiscal year 1975 is already proving to be quite controversial because of the increased charges which are being placed upon agencies, including the GAO.

We believe that our status as an arm of the legislative branch with responsibility for giving the Congress our objective views with respect to programs of the executive branch would be enhanced if we had responsibility for meeting our own space requirements.

There would be substantial savings in the GAO's budget and we believe that we have adequate personnel with administrative experience to deal with the management of the GAO building. Obviously, we would cooperate with the GSA where this would be in the interest of both agencies, but the primary responsibility should rest with the GAO.

TITLE VI, AUDITS OF GOVERNMENT CORPORATIONS

Title VI amends the Government Corporation Control Act, the Federal Deposit Insurance Act, the Federal Crop Insurance Act, and the Housing and Urban Development Act of 1968, to provide for audits of Government corporations at least once in every 3 years. Title VI also removes the requirement for an annual audit from the District of Columbia Redevelopment Act of 1945, and the Federal Home Loan Bank Act.

Presently, Government corporations are required to be audited annually and a report is made by the Comptroller General to the Congress after each audit.

One of the objectives of the 1972 reorganization of our office was to place us in a better position to handle our total workload. The amendments proposed are another step toward that objective and one which, if enacted, will not dilute congressional oversight of the operations of the corporations covered in this section of the bill.

We are not proposing that audits necessarily be made only every 3 years. On the contrary, in many cases we may continue to audit the corporations annually and the bill is worded in such a way so as to give us that discretion. Thus, in situations where the Comptroller General may find that internal audits and accounting controls are weak or ineffective, he may well decide an annual audit by his office is necessary.

On the other hand, in situations where the Comptroller General finds good accounting, good management, and effective internal audits, it would obviously not be an effective use of his own resources to routinely make audits more often than his judgment as the chief accounting officer of the Government dictates. In this regard, we would of course consider interests of Congress in deciding what activities we would audit in these corporations, and how frequently.

TITLE VII, REVISION OF ANNUAL AUDIT REQUIREMENTS

Title VII deletes the requirement for an annual audit from the Federal Property and Administrative Services Act of 1949, the Housing Acts of 1949 and 1950, the Federal Credit Union Act, and the acts concerning the operations of the Bureau of Engraving and Printing, the Veterans Canteen Service, Federal Aviation Administration, the higher education insured loan program, and the Government Printing Office. Under this bill the audit of these activities will be in accordance with the provisions of the Accounting and Auditing Act of 1950.

This title—as with title VI—is designed to provide flexibility in carrying out our audit responsibilities. The decision as to the frequency of audit would be determined on an activity-by-activity basis, again, of course taking into account the interests of Congress. Where an annual audit is warranted, it would be performed.

In conclusion, Mr. Chairman, the provisions of this bill, if enacted, would enable us to perform our statutory functions more effectively, and with greater flexibility. The end result would be increased support for the Congress, as well as more efficient operations within the General Accounting Office. We look forward to providing our fullest cooperation in connection with consideration of this legislation.

PROPOSED AMENDMENTS TO H.R. 12113

Mr. Chairman, since submitting H.R. 12113 to you last December for consideration, we have developed amendments to two titles, and one new title that we would like to place before the subcommittee for possible inclusion in H.R. 12113.

We have found in discussions with the committee staff some confusion as to precisely what protection would be offered to GAO employees transferred under Title II, Audit of Transportation Payments. This is an important area, so I would like to offer at this time

amended language to clarify the protection afforded. The language would replace section 202(b) and reads as follows:

(b) The personnel transferred pursuant to Subsection (a) of this section shall be without reduction in classification or compensation for one year after such transfer, except for personal cause. In the second year of their employment after such transfer, such employees shall retain the protection afforded by 5 U.S.C. § 5337, as if they had continued to be employees of the U.S. General Accounting Office.

This provision would (1) afford the transferred employees protection against any reduction in classification or salary, except for cause, within the first year after transfer, (2) give them the same protection under title 5, United States Code, section 5337, the second year that they would have had if they had remained at GAO instead of transferring to the new agency, and (3) place them in the same position as other employees in the third and subsequent years.

Earlier in my statement, I alluded to the confusion that exists over the types of funds and activities that would be subject to review by the GAO under title III of H.R. 12113. As now drafted, title III possibly could be interpreted to authorize review by the GAO of certain funds and activities which were never intended to be covered by this title.

For example, the language of title III perhaps is broad enough to encompass the Smithsonian Institution. However, this was not our intent. Title III is only intended to authorize review of those funds and activities which, if they were operated in the private section, would be profitmaking enterprises.

Your staff also has asked specifically about whether Federal credit unions would be covered by title III. We do not intend credit unions to be covered since we are already charged by title 12, United States Code, section 1752a(f), to audit the financial transactions of the National Credit Union Administration, which in turn may audit individual Federal credit unions.

I offer this amendment to clarify our intent. The amended language is before you as attachment 1 to my statement.

[The amendment follows:]

TITLE III.—AUDIT OF NONAPPROPRIATED FUND ACTIVITIES

Sec. 301. (a) The operations of nonappropriated funds and related activities which are established within the executive branch to administer the sale of merchandise and services to military or other Government personnel and their dependents, such as the Army and Air Force exchange service, Navy exchanges, Marine Corps exchanges, Coast Guard exchanges, exchange councils of the National Aeronautics and Space Administration, commissaries, clubs, theaters, and any other similar activities operated by an agency or department of the executive branch, the systems of accounting and internal controls and any internal or independent audits or reviews of such funds and activities, unless otherwise provided by law, shall be subject to review by the Comptroller General of the United States in accordance with such principles and procedures and under such rules and regulations as he may prescribe. The Comptroller General and his duly authorized representatives shall have access to such books, accounts, records, documents, reports, files and other papers, things, or property relating to such funds and activities as are deemed necessary by the Comptroller General.

(b) To aid the Comptroller General in planning audits or reviews under subsection (a) of this section, each nonappropriated fund activity within the executive branch of the Government shall furnish to the Comptroller General at such times and in such form as he shall require an annual report of the operations

of such activity, including an annual statement of financial operations, financial condition, and cash flow.

Mr. STAATS. In addition, I would like to offer a new title, title VIII, concerning the statute of limitations applicable to claims filed against the United States, and cognizable by the GAO. It is attachment 2.

Section 801 of title VIII decreases from 10 to 6 years after the date a claim accrued the time within which claims cognizable by the GAO may be filed in that office. This will make the time limitation consistent with the statute of limitations now applicable to claims filed in administrative agencies and courts.

Section 802 provides that the reduction in time allowed for filing claims in the GAO will not go into effect until 6 months after enactment, and makes it clear that the enactment of the new time will not affect claims filed before such enactment. This is intended to minimize any hardship on potential claimants whose claims may be barred by the new provision by allowing them time to file their claims before the provision takes effect, but after they are put on notice that it will take effect after 6 months.

Reduction of the barring statute from 10 to 6 years would have a significant impact on the amount of paperwork required to be stored by the GAO. A recent test over a typical 6-month period analyzed the requests for the GAO records held at the Federal records centers.

In summary, the statistics gathered by that test indicated that only about 40 records between 6 and 10 years old are required each year for claims purposes. Other records are called for other purposes, but there are duplicate copies of these records available elsewhere. Thus, we can say that all GAO records between 6 and 10 years old could be destroyed if the statute of limitations were shortened to 6 years. This would result in a savings of at least \$300,000 per year, based on the storage cost savings.

[The amendment follows:]

TITLE VIII.—LIMITATION OF TIME ON CLAIMS AND DEMANDS

SEC. 801. Section 1 of the act of October 9, 1940, 54 Stat. 1061, chapter 788, is amended by deleting the phrase "10 full years" and substituting "6 years" therefor.

SEC. 802. The amendment provided for in section 801 shall go into effect 6 months after the date of enactment and will have no effect on claims received in the General Accounting Office before that time.

H.R. 14718

Mr. STAATS. Mr. Chairman, H.R. 14718, a bill to discontinue or modify certain reporting requirements of law, flows directly from a review undertaken in 1972 and 1973 at your request.

We were asked to study the reports submitted to the Congress on a recurring basis and make recommendations for their improvement or the discontinuance of those no longer needed.

Based on data provided to us by 68 executive departments, agencies, councils, and commissions, we compiled an overall inventory of 747 reports—544 required by statute and 203 initiated by committee and Members of Congress, requested in House or Senate reports, or sub-

mitted voluntarily by agencies. Assisted by records maintained by the Clerk of the House and the Secretary of the Senate, we subdivided the inventory into lists of reports received by each of 36 committees—16 House committees, 14 Senate committees and 6 joint committees.

The underlying philosophy for the review was that the recipients of the reports were in the best position to evaluate their usefulness. Thus, between December 1972 and March 1973, we discussed the usefulness of the reports with representatives of the 36 committees. Through these interviews, we identified 181 reports that, according to at least one recipient, needed modification or which could be eliminated; 48 to be modified and 133 to be eliminated.

Following the interview, if the staff members suggested elimination or modifications, we sent a confirmation letter to the committee chairman or staff director. The letter described the suggestions and asked the chairman to notify us if he disagreed. The letter also suggested action to be taken on eliminating or modifying nonstatutory reporting requirements in accordance with the staff's recommendations.

Because of differences between committee jurisdictions and interests, the recipients did not agree in their assessment of 102 (79 eliminations, 23 modifications) of the 181 reports. We did not attempt to reconcile these differences during the review. However, we plan to pursue the matter with the appropriate committees in the next fiscal year.

All of the recipients that we were able to identify agreed upon the action to be taken on 79 reports; 54 were to be eliminated and 25 were to be modified. Twenty-eight of the reports stem from nonstatutory requirements, 51 are required by law. The nonstatutory report requirements could be modified or eliminated through direct committee/agency action. We suggested the action needed, and provided draft letters, in our confirmation letter to the committees.

For the statutory reports, we prepared draft legislation to eliminate or modify them as indicated by the recipients. Our draft has been embodied in H.R. 14718 which is now before the committee.

H.R. 12181

The proposed "Federal Paperwork Burden Relief Act" would require the Comptroller General to conduct a study of the reporting requirements of "Federal regulatory programs," to determine the extent to which these requirements may be revised to lessen the burden upon small and independent businesses. We would be required to complete the study and to report thereon to Congress within 1 year.

Our office has, in recent months, become significantly involved in projects relating to the "Federal Paperwork Burden." On November 16, 1973, section 409 of Public Law 93-153 was enacted containing an amendment to the Federal Reports Act which requires our office to conduct advance clearance reviews for new or revised information plans and forms proposed by "independent" Federal regulatory agencies.

Under this amendment we are required to review all existing information gathering practices for independent regulatory agencies as well as requests for additional information with a view toward (1)

avoiding duplication of effort by independent regulatory agencies, and (2) minimizing the compliance burden on business enterprises and other persons.

These agencies are: the AEC, CAB, FCC, FPC, FTC, ICC, SEC, Consumer Product Safety Commission, Equal Employment Opportunity Commission, Federal Maritime Commission, National Labor Relations Board, and the Federal Energy Administration. Since November 1973, we have been reviewing these independent regulatory agencies' requests for additional information.

In addition, in November 1973 the Senate Committee on Government Operations requested that we conduct a study of the management of public-use forms for all executive agencies. We informed the committee that such a study, involving about 6,000 forms, would require a very substantial amount of time, effort, and money.

We estimated that it would take approximately 100 man-years of audit effort and about 2 years to complete. Accordingly, it was agreed that we would undertake a pilot study of different forms prescribed by one agency—the Department of Labor—and administration of the Federal Reports Act with respect to such forms by the Office of Management and Budget.

The objectives of this pilot study are to identify ways in which forms management can be improved to reduce the number of forms, simplify forms and eliminate duplication in the collection of information. We are scheduled to issue a report on this study to the Senate Committee on Government Operations in early calendar year 1975. We anticipate recommending improvements with reference to each of the objectives mentioned.

We believe that our basic statutory powers and the 1973 Federal Reports amendment provided authority to conduct an appropriate review of the practices of information gathering agencies and that enactment of H.R. 12181 is unnecessary.

Finally, in spite of our opposition to this bill, we do have suggestions for certain amendments to it that we would be glad to supply the committee if you desire to proceed.

This completes my formal statement, Mr. Chairman, and I shall be glad to answer any questions you may have.

Thank you.

Chairman HOLIFIELD. Thank you, Mr. Staats.

Mr. Wydler, do you have any questions.

Mr. WYDLER. No; I don't, Mr. Chairman. I enjoyed the statement. It was a good one and I think it covered all the points that I had in mind.

Chairman HOLIFIELD. I would like to ask you, Mr. Staats, what practical benefits will be gained by transferring the transportation audit function, and would the transfer save time, personnel, or money?

Mr. STAATS. Mr. Chairman, I would like to comment on your question or respond to your question by stating our view which is, I believe, the policy set forth basically in the Budget and Accounting Procedures Act of 1950, which is that the operating functions of GAO at that time should be moved to the executive agencies. By this I refer to the determination of the technical accuracy of payments involved on individual purchases of goods or services.

I want to go back a little in history and mention the basic philosophy of the 1950 legislation and discuss what has happened since then. GAO at that time had the centralized audit of all payments of this type in the GAO building. Under that act, not only was authority given, but, in a sense, a directive was issued to have these audits conducted in the agencies, and GAO's job was to supervise the manner in which the agencies determined the accuracy of these payments. So that what we are doing here essentially is to complete the job which was started back in 1950 of taking the operating functions out of GAO as nearly as we can and give them to the executive branch where we think they belong.

For example, in 1950, when the Post Office Financial Control Act was passed, there was shifted from GAO to the Post Office about 900 employees who were involved in detailed audit of the Post Office financial transactions.

In 1956, the check reconciliation function was transferred out of GAO to the Treasury Department, as another example. In 1965, 43 people in GAO concerned with Indian tribal accounts and claims were transferred to the GSA.

As another example, in 1965 the preparation and publication of Government salary tables was transferred from our office to the Civil Service Commission. More recently, in 1967, the responsibility for prescribing standard accounting forms was transferred from the GAO to the appropriate executive branch agencies. This reflects, we think, the policy of Congress. As you know, I have felt strongly that the GAO should avoid being placed in a situation where it is carrying out executive branch-type activities, and you have supported the GAO in this effort.

We haven't been fully successful. We felt, for example, that the amendment to the Alaska Pipeline Act which requires us to review the forms of the regulatory agencies is essentially an executive branch function. We urged the Congress not to pass that law, but it is on the statute books. The existence of executive-type functions in GAO makes it more difficult for us to resist these kinds of additional proposals to place executive-type functions in the Office.

Now the question naturally arises as to why the transportation audit function has remained in GAO for so many years in spite of the policy that was set forth in the 1950 law. This is a matter which I addressed myself to when I became Comptroller General. We set up a task group of the OMB and the GSA. Our people went into the matter in detail looking into the possibility of a transfer, among other things, of this function to the executive branch.

It was the conclusion of the study at that time that it was not yet feasible to do that because of the complexities of tariff schedules and routing schedules, but there was an agreement that we should pursue the idea of computerizing the payment of the transportation payments, with the thought that this would make it possible to place this function in the executive branch using essentially executive branch data for that purpose.

Under a program that we now have laid out, we will be able to do that for about 85 to 90 percent of all payments that we audit. This will mean that the remainder will be done manually. Essentially, how-

ever, it will be done on a computerized basis. It is a program, in other words, which we have been working toward for about the past 6 or 7 years.

Again, we think that the transfer would bring about a situation where GAO would be doing exactly what it is doing with respect to other types of payments by the agencies. We would be monitoring the way they audit those types of payments.

Chairman HOLIFIELD. You would prescribe the standardized procedure for them to follow in their audits?

Mr. STAATS. That is correct. At least guidelines and so forth.

Chairman HOLIFIELD. The language in this bill authorizes OMB to designate several agencies to take over the transportation audit functions. Should this function be divided among several agencies, or should it be placed in one executive agency?

Mr. STAATS. The reason we suggested the language the way we did is that we felt the OMB should have some flexibility to make this judgment and not have the matter foreclosed as to whether it would be one agency or more than one. Our present thinking is that it would make more sense to keep it in one agency. We think GSA is the proper agency to take on the responsibility. But we did not try to make the determination. Therefore, the language is drafted in such a way to give OMB flexibility.

Chairman HOLIFIELD. If the executive agencies and the administration agree that the basic function should be in one agency, such as GSA, would you have any objection if the bill were amended to so provide?

Mr. STAATS. To provide it be kept in a single agency?

Chairman HOLIFIELD. Yes.

Mr. STAATS. We wouldn't have any objection. The only reason we drafted it the way we did was to provide flexibility.

Chairman HOLIFIELD. If this is done, should there be enough flexibility to permit redelegation in exceptional cases, such as has been done by GAO with DOD offices in Heidelberg and Tokyo and the Military Sea Transportation Service?

Mr. STAATS. We think that would be quite consistent with the way it has been handled in the past. The agency would have to accept the final responsibility as we do today. By agreement, we have been able in a certain number of cases to say: "You conduct the audit and, subject to certain spot checks, we will accept that audit."

Chairman HOLIFIELD. Some of the transportation and carrier representatives have suggested that the executive agency would have a bias toward limiting payments to carriers. They argue that there would be additional costs and delays in taking appeals to the GAO as provided in the bill.

Do you think the system you propose would burden the carriers with additional costs and delays?

Mr. STAATS. No; I don't think so. I don't see how that could arise. Perhaps Mr. Sullivan or Mr. Keller could answer that. Mr. Sullivan is the head of our Transportation Division. He has worked in the field for a great many years.

Mr. SULLIVAN. Mr. Chairman, in my discussions with the carrier representatives, I don't believe they perceive any additional cost if

the agency continues to be centralized. In other words, it is just a question of whether they would, as they do now, come to GAO for some appellate review of the action my particular Division takes against them. They would be in the same posture as to the audit agency to which these transportation payment responsibilities would be assigned, so, I can't perceive of any additional cost to the carriers in that process.

Mr. ROBACK. How would that procedure work? The reference in your testimony is to a review of the audit and appeal. Is this in effect a determination by the GAO which could overrule an audit decision?

Mr. KELLER. Perhaps I could answer that.

What we contemplate, if the activity is transferred, is that it will be subject to an audit just as any other operation of an agency is subject to a GAO audit. We provide in there that if a carrier, for example, is dissatisfied with the audit action taken by the agency who is making the audit, he has a right of appeal to the Comptroller General for a ruling on that particular problem, and that is quite similar to what happens in another area.

Mr. ROBACK. You mean the carrier could make an appeal to the GAO?

Mr. KELLER. Right now we are the administrative audit, and we are the postaudit and the appellate body.

Mr. ROBACK. Do you suppose that you will be saddled with all kinds of appeals?

Mr. KELLER. I don't think so. Mr. Sullivan and I talked about that yesterday. Based upon our record, we think about 600 to 800 appeals a year; is that right?

Mr. SULLIVAN. 600 to 1,000.

Mr. GOODWIN. With this split of the administrative audit and appellate audit, they will have to go to two agencies. In the past they have had to deal with one. They are concerned with the nature of the appellate review by GAO. They are concerned with whether in connection with that appeal they will be able to produce some additional documentation that they didn't have time to produce before GSA itself. Would you contemplate that this could be done?

Mr. KELLER. I don't see any problem about that, Mr. Goodwin. It places the carrier in no different position from a contractor who is turned down.

Mr. GOODWIN. I thought that had finality.

Mr. KELLER. Not in all cases. In many cases there are questions which are not subject to the disputes clause.

Mr. GOODWIN. The carriers might object to it. They don't want the paperwork and delay that is involved in an appeal. They like the ease and administrative promptness in which they can get these claims settled in one agency, both on the administrative level and on the appeal level.

Mr. SULLIVAN. Perhaps, sir, I can throw a little light on it in terms of the magnitude of the claims actions we handle now as it is centralized in GAO. There are approximately 9,600 claims actions that come into the General Accounting Office on the basis of the carrier's non-concurrence in our audit. Of those, I would approximate 800 would be appealed to the Comptroller General over the audit action taken by

my Division, so I can't conceive in the transfer agency there would be any greater incidence of that type of appellate request.

Chairman HOLIFIELD. Mr. Wydler?

Mr. WYDLER. Mr. Staats, I would like to ask you just a couple of questions.

One occurs to me regarding the General Accounting Office building problem which you seem to be having. Do you feel this is a serious deficiency, not having your own building or not controlling it? Is that the problem?

Mr. STAATS. There has been a problem. What we are emphasizing here is that we think we should be on the same basis as the rest of the legislative branch where GSA does not control the space or operate it.

Mr. WYDLER. That could work both ways. Maybe we are doing it right in your case and wrong in the others. The question is, which is the better way?

Mr. STAATS. There ought to be no feeling correctly or incorrectly, that our audit judgments are influenced in any way by any problems we may have with the GSA in auditing their space programs and the operations of the new building fund. Quite frankly, the matter came to my attention particularly in connection with the new building fund legislation which will become operative next year.

It is very controversial in its application. Our costs for space in our building will go up about \$2 million over what it would cost us to operate that building ourselves. So it was inevitable and quite obvious that we were going to raise questions as to why that takes place. I guess we have to say we don't agree with these rates.

For example, in Dallas, Tex., the actual cost to GSA for space for GAO is \$3.55 a foot. It will now go up to \$6.72 a foot.

In Portland, Oreg., it is currently \$4.06. It goes up to \$7.71.

In Seattle, it will go from \$3.31 to \$6.39.

In our headquarters area here, the space we have been getting for \$5.70 is going up to \$6.63.

Mr. WYDLER. Do you have a New York figure there by chance?

Mr. STAATS. I am sorry, I don't have a New York figure. I could get it.

[SUBCOMMITTEE NOTE.—Subsequent to the hearings, GAO advised the subcommittee that GSA's charge for the New York regional office space was \$9.22 a foot.]

Mr. WYDLER. In theory, is the price supposed to represent the current ongoing office price in that particular area?

Mr. KELLER. Built into the figure is a surcharge which will be used to provide additional public buildings in the future.

Mr. STAATS. These buildings will be for the executive branch. Since we are part of legislative, we don't feel we should be subsidizing the executive branch.

Mr. WYDLER. It all comes out of the same pocket.

You are saying that this new section would give you control of the building. It would provide also for the subletting of space to other agencies. Do you intend to do that?

Mr. STAATS. Today we occupy about half of the space in the General Accounting Office building. The other principal occupants are

the Bureau of Labor Statistics and the Treasury Department. So, necessarily we would have to arrange for their continued occupancy. We do not have enough space in our building today for our own requirements, and we have been faced with that problem over a long period of time.

We have to go out and rent space even though our building is partially occupied by other Federal agencies. This is something we have to work out over a period of time. That will take time and we therefore would need authority to make arrangements so that the executive agencies who are there can continue to occupy that space.

Mr. WYDLER. That is what I didn't understand. In one sentence you wanted authority to sublet, and the second authority that you wanted was to lease additional space, so there seemed to be an inconsistency there.

Mr. STAATS. We don't desire to go into the space business.

Mr. KELLER. We have 15 offices across the United States. Some of them are in leased space and some are in Federal buildings. This would give us the flexibility.

Mr. WYDLER. Finally, you state on page 11 that this change would result in substantial savings in the GAO budget. Is that what you were trying to explain to me?

Mr. STAATS. Yes.

Mr. WYDLER. Do you know what the comparable costs are?

Mr. STAATS. The net savings to our budget would be about \$2 million.

Chairman HOLIFIELD. Would you yield?

Mr. WYDLER. Yes.

Chairman HOLIFIELD. You have given us the figures this morning, but whether you or GSA had the building, isn't it true there has been a general inflation in rental space throughout the country, both in Federal rental space and private rental space?

Mr. STAATS. I wasn't commenting on that.

Chairman HOLIFIELD. Those figures would not mean much because you may have space at a certain rate now, but you can't say you wouldn't run up against the same situation of a higher rate because of the inflation in taxes and all the other things that go with building ownership?

Mr. STAATS. But under the policy, the surcharge would be added to whatever costs are incurred by GSA and the problem for us would be the same either way.

Chairman HOLIFIELD. That is why I can't see the advantage. What you are really doing here is bucking the policy which was included in the original assignment to GSA of the function of leasing space. At the time we did that in the Federal Property Act of 1949, we found instances—and I know of some right in my own congressional district—where we had every agency of Government in the position of competing with another agency for a building. For instance, I remember an instance of competition between the Navy and the Department of Agriculture for space in a warehouse. As a result of that competition, the owner of the building played off each agency against the other, and it finally ended up with the Government competing against itself for space.

Therefore, it was decided, as a matter of broad policy, that we would have one leasing agent, one selling agent, one building agent for public buildings, and one custodial agency, in most instances, for handling the janitor work, or housekeeping work. I think it has worked rather well in the United States.

Mr. STAATS. I don't quarrel with this principle. In fact, we supported it in the Bureau of the Budget. That legislation pertained only to the executive branch. The legislative branch was excluded from the operation of that legislation, as you may recall.

Chairman HOLIFIELD. I understand that. I cannot see too much merit in your argument of economy. The increase in the cost of building space might as well apply to you as to other renters, whether domestic, business, or Federal. As to your agency being treated differently from other offices in the legislative branch. I can see why you might feel slighted. But have you had any trouble with GSA in obtaining janitorial service, cleaning, maintenance, and space?

Mr. STAATS. I guess we have to honestly say we have. What we are seeking is an arrangement similar to the Government Printing Office which is a part of the legislative branch. It runs its own space. The Architect of the Capitol handles space for the House, the Senate, and the Library of Congress. We think that it is just not compatible with our role as an independent agency in the legislative branch.

The Office of Management and Budget doesn't review our budget. Why should we be in a position where our space is controlled, charges are levied, and we are told what space we can have and can't have by an agency of the executive branch? I don't think it is compatible with our independent role.

Chairman HOLIFIELD. It may be inconsistent, but hasn't the management of buildings by experts in the field generally proved to be successful? Is it detrimental to GAO?

I have a letter under date of June 4, 1974. This letter is from Congressman Gray, chairman of the Subcommittee on Public Buildings and Grounds in the House Public Works Committee.

Honorable Chet Holifield, Chairman, House Government Operations Committee, 2157 Rayburn House Office Building, Washington, D.C.

Dear Chet. The Public Buildings Amendments Act of 1972, P.L. 92-313, was passed by Congress for the purpose of establishing a revolving fund with which to construct badly needed Federal office buildings throughout the United States.

In order to make this new law work, we must charge all Federal agencies rent for the space they occupy. This includes offices occupied by Members of Congress. By not allowing any exemptions, we will collect approximately \$800 million per year which can then be spent on badly needed Federal office buildings throughout the country. The courts recently asked to be exempt and their request was denied, therefore, I am hopeful you can eliminate Title 5 from H.R. 12113, which would have the effect of eliminating the General Accounting Office from paying rent for the space they occupy.

Our Subcommittee on Public Buildings and Grounds and the full Committee on Public Works recognizes the great work performed by GAO and the Comptroller General, however, if we make an exception for one agency we certainly should exempt Members of Congress, the Judiciary and others. Therefore, I hope your distinguished committee will not set a precedent by exempting GAO.

Before passing the Public Buildings Amendments Act of 1972, we had a 10-year backlog of Federal buildings all over the country and many in your home State of California. We are almost caught up on the backlog and can now look forward to providing additional Social Security offices, court facilities and combination

Federal office buildings to meet a growing demand for services by the American people.

The revolving fund which is controlled by the Appropriations Committee can now look to the future needs of all Federal agencies. Therefore, I hope your committee will agree that GAO and other agencies should account for space they use by paying rents that can be dedicated to meeting additional space requirement needs.

Your consideration of deleting Section 5 will certainly be appreciated.
Sincerely yours. Signed, Kenneth J. Gray.

I received Mr. Gray's letter this morning. This is the first time I have read it.

Mr. STAATS. I have not seen that letter. It seems to me the same line of reasoning should apply to the GAO as to the rest of the legislative branch.

Chairman HOLIFIELD. Certainly that would be a question to be decided on its merits, and I concede that there is a lack of uniformity between the executive and legislative branches in the occupancy of buildings, but there is a basic problem here in getting straight-line approval of appropriations for public buildings for the Federal Government.

This seems to be a way of getting the money. It has to be raised somehow. But whether it comes from the GAO, from other agencies under this system, or from appropriations for specific buildings, eventually it all comes from the taxpayer.

While you might have a reduction of \$2 million in your own budget, that would not necessarily mean that the \$2 million is saved. That \$2 million would have to be raised otherwise, as I see it.

Mr. STAATS. But that fund is set up to provide space for the executive branch. When the Library of Congress builds a new building, it is under the control of the Architect of the Capitol, not GSA. The Architect of the Capitol doesn't pay the surcharge. The GPO doesn't pay a surcharge. We are by law a part of the legislative branch. There is a clear line of distinction between the law which affects the executive branch and that which affects the legislative branch. If we were in the executive branch, we wouldn't be making this argument.

Mr. WYDLER. I hope both you and the chairman aren't right, or at least Mr. Gray and you aren't right. If I understand him, he says the Members of Congress are paying the surcharges.

Mr. STAATS. This would be true for GAO outside Washington. We are asking for control of our headquarters space.

Chairman HOLIFIELD. Your headquarters is what you are asking for?

Mr. STAATS. In the field, we would be operating under this legislation.

Mr. WYDLER. You are saying Mr. Gray's comments referred to the district offices?

Mr. KELLER. That is my understanding.

Chairman HOLIFIELD. We will clarify that in further testimony.

I understand the GSA will testify further this morning?

Mr. WYDLER. I would like to pursue this line of questioning. With regard to the savings in your budget, you are really going to have to have more people to operate your agency, you are going to have to have people to run the building and manage the building, people that aren't on board at the present time. I presume that is a fact, isn't it?

Mr. STAATS. We don't see this as a serious problem. We now have

people who spend a lot of time with GSA in managing our building. GSA handles our operations by contract. All our cleaning is done by GSA contract. It would be largely a matter of assuming those contracts that GSA already has.

Chairman HOLIFIELD. Yes, but isn't it true that the GSA has a long background of expertise in dealing with these maintenance unions that do the janitorial work? In your case you do not have that. You would have to build a staff which would be duplicative of the existing staff at GSA.

Mr. STAATS. We have looked into it. We have looked at their costs and we have made our own cost estimates, and we still come out with over a \$2 million saving.

Chairman HOLIFIELD. Is that a saving to the GAO budget or to the Government?

Mr. STAATS. To our budget.

Chairman HOLIFIELD. But it is not necessarily a saving to the Government and the Federal taxpayer?

Mr. STAATS. It would be in the sense that it would eliminate the surcharge which is made to set up a new fund and for which Congress appropriates funds. It is a proper charge against the executive branch budget to provide funds to build space for the executive branch.

Chairman HOLIFIELD. If you needed additional space for the GAO office, you also could get money from this so-called reserve?

Mr. STAATS. No. We would come to the Congress.

Chairman HOLIFIELD. You wouldn't get any advantage from that fund in the way of repairs or remodeling?

Mr. STAATS. Very unlikely. We are now paying for remodeling of our building.

Mr. KELLER. Even if a building were built from the fund, we would pay a rental charge including a surcharge from then on.

Mr. WYDLER. To help put in perspective the \$2 million savings figures you gave, how much are you paying GSA?

Mr. KELLER. A little better than \$4 million starting July 1 of this year.

Mr. WYDLER. How are you figuring the payments to GSA?

Mr. KELLER. It is based on a per square foot rental which GSA has prescribed for our building, which is \$6.53.

Mr. WYDLER. You are buying the building from GSA?

Mr. KELLER. We are tenants, but we are paying a rental rate based on a composite rental rate for the District of Columbia. But in the rental rate——

Mr. WYDLER. You are trying to be fair now. Who has title to the building at the present time?

Mr. KELLER. GSA has the control.

Mr. WYDLER. Do you want title to the building?

Mr. KELLER. Actually, I could be wrong on this, but I don't think title to a Government building is in GSA or in GAO or in Congress itself. The operation and responsibility for it is usually fixed in one agency. The title itself is in the U.S. Government.

Mr. WYDLER. That building had to be financed through the normal Government procedures, and they used whatever resources they had to put up the building. You want to get them, in effect, for nothing.

That is what makes your savings so large. You are not going to pay anything. You are taking it over and figuring the rent?

Mr. KELLER. The money to build the building was appropriated by Congress for a GAO building.

Mr. STAATS. It was authorized by Congress for GAO. If this were being authorized today, you do it just like you do those Library of Congress buildings. You would authorize for that purpose, you would appropriate for that purpose, and the Congress would control the space. The only reason we can figure out why it wasn't done that way in the first place was that this building was authorized before the GAO was part of the legislative branch by law.

Mr. WYDLER. Do we have any figures on how much the Library of Congress spends each year to manage their real estate?

Mr. STAATS. We can find out, I am sure.

Mr. WYDLER. It would be interesting, Mr. Staats, to find out how much that costs.

[SUBCOMMITTEE NOTE.—Subsequent to the hearing, GAO advised the subcommittee that the Architect of the Capitol has budgeted \$1,631,000 for mechanical and structural maintenance of Library of Congress buildings and grounds. Not included in this amount is the cost of electricity and heat for the Library of Congress, which are furnished by the Capitol Power Plant.]

Mr. STAATS. We have developed a detailed estimate, which I would be very happy to give you, on what our costs would be. The savings are \$2,254,000 based on the rates which we will be charged in the next fiscal year.

Mr. WYDLER. OK, I am going to get off the subject of the building, if I can, to just ask you a couple of questions on the auditing situation that you have been talking about here.

As I understand it, what we are trying to do is to give you more flexibility in conducting your audits so you are not required to return and do an audit every year, even in cases where you judge it is not necessary; and it is rather a pro forma function; is that it?

Mr. STAATS. Yes, we think the situation varies so much from case to case, that requiring an audit each year is a waste of money. It really serves very little purpose. The annual requirement means we have to pull people off other high priority work.

By putting it in a framework of once in a 3-year period, we can say we will conduct a yearly audit. In TVA, they have a commercial audit as well as ours. We can look at the commercial audit. That would be an example where it probably wouldn't be necessary to go in every year.

Mr. WYDLER. I am not objecting to that. I think it sounds like a fairly sensible idea. What I am curious about is your auditing practice to make these audits on a known date or particular time or on prearrangement with the office or agency that you are auditing. Or is this done like a bank examination—all of a sudden here they are, and they want to start looking.

Mr. STAATS. We would not go in unannounced like a bank examiner because ours is a different kind of audit. The agency knows when we are coming in. We have access to the internal materials they have developed from their internal audit or any external audit they have had performed.

We think that is a better way to operate and a better way to proceed to get their cooperation. We obviously have to have the information which only can come from them.

Mr. WYDLER. I also felt that the bank examination method was a rather effective one. I know from bankers I have talked to that they are kept on their toes wondering when the auditors are going to arrive.

Mr. STAATS. If we were going in purely to count cash, that would be a different kind of situation.

Chairman HOLIFIELD. You are really monitoring their procedures, the verity of their own auditing system?

Mr. STAATS. In considerable part.

Chairman HOLIFIELD. The basic law prescribes that you attempt, as far as possible, to set up uniform accounting procedures and practices throughout Government; isn't that right?

Mr. STAATS. That is right.

Mr. WYDLER. I have one last question. I am wondering about the growth of GAO. You have become a very popular agency in the Congress. Every time I turn around, somebody is recommending that something be checked by GAO. What is the growth pattern in your agency?

Mr. STAATS. We have grown relatively slowly. The best test is our professional staff rather than our total staff. For the fiscal year 1975, for example, we are requesting 150 additional people. For the most part these will be absorbed by additional programs being authorized which we have to audit and not by any additional responsibilities vested in GAO. It is just a growth in the Government and the additional programs that come about.

Our work for the Congress has increased, if you go back, say, to the time I became Comptroller General, 8 years ago, but for the last 3 years our work for Congress has been about 25 percent of our professional staff resources.

We keep very careful records on all the work we do for Congress, and that includes several very major studies, such as a study we did on the research and development programs on water pollution which cost over \$1 million. Other studies have cost us over \$1 million, such as the study we made on ways to improve the construction of medical facilities, hospitals, and other types of facilities, so as to reduce the operation and maintenance costs of those hospitals and therefore do something about rising costs of medical care. These were major studies.

Congress last year requested us to do a special study on health maintenance organizations after they received money from the Federal Government. Our job will be to evaluate the financial viability of these HMO's, what kind of services they perform, how the doctors like it, and how the patients like it. We will report at the end of the 3-year period.

I am including these kinds of major studies in that 25 percent figure.

Mr. WYDLER. Are you saying 25 percent increase per year?

Mr. STAATS. No, a constant 25 percent of our total professional staff effort. It has been the same for the last 3 years. This includes requests of the type I just mentioned, the requests we get from committee chairmen, and so forth.

Mr. WYDLER. What is the growth year to year?

Mr. STAATS. We have no policy which says we are going to hold it to 25 percent, but I am pointing out that as a matter of statistics this is the result.

Now, there are a number of things that we can do to try to reduce this impact on GAO.

For example, on committee requests and on requests that we get from individual members, we can and do in most cases sit down with the requesting party and see if there isn't some way we can satisfy the need with less effort on our part. In some cases, on individual member requests, for example, we will decide this is something that GAO ought to look at on its own, and we satisfy the request that way. There are many ways we go about trying to minimize this kind of burden.

Mr. WYDLER. I am only concerned that your agency is going to be forced to do so many things and grow so fast that you will lose your professionalism. Right now your reputation is great, probably stronger than that of any other part of the Government.

Mr. STAATS. We are concerned about that too, and we appreciate the support of this committee. Let me give you an example of one kind of problem that we run into.

We woke up one day recently to find a House committee had reported a bill that would have given us the job of running the voter registration program, costing \$50 million. We had to go to work and convince Congress we couldn't do that. On the Alaska pipeline bill, the report reviewing function was taken from OMB and given to us. I did everything I could to eliminate that provision from the Alaska pipeline bill. We were not successful.

Chairman HOLIFIELD. These additional duties are imposed on you in many instances by Congress. I call your attention to the campaign reporting law. You have additional duties that you never had before.

Mr. STAATS. For this reason I stress going ahead with the 1950 policy to get executive functions out of the GAO. If we hold that line, we are in a better position to resist proposals to give us operating-type jobs.

Chairman HOLIFIELD. I think you are, too. I have been concerned and I have talked to you personally about GAO being forced into too many operational programs, many of them controversial. You then enter the realm of controversy, whereas heretofore your work has been based on ascertaining facts and figures.

Mr. STAATS. We believe, Mr. Chairman, that our basic function, and this is clearly the policy laid out in 1950 legislation, as well as the 1921 act, is to provide for the Congress, on behalf of the Congress, oversight of the operations of the executive branch agencies. Therefore, we ought to not be in a position where we are conducting executive type functions.

Chairman HOLIFIELD. I thought we made a mistake in putting political campaigns under your scrutiny, not that I thought they shouldn't be scrutinized, and it was clearly a compliment to you that Congress, having confidence in the honesty and ability of your organization, placed it in your hands. Still I thought that was an operational program which might well have been put somewhere else.

Mr. STAATS. I really can't comment on why Congress did it.

Chairman HOLIFIELD. I have other witnesses standing by, and we have probably taken too much time here.

Mr. WYDLER. Could I finish with one point?

I think there is a time bomb ticking away in the Congress as far as your agency is concerned. It is the budget reform bill, which is now before the Senate. Personally, I hope the bill passes, and I am very strongly for it. We will require an awful lot of help to come up with a budget, since it will require the Congress to do something very close to what OMB does for the executive branch. If we turn to you for help, in a few years you will get the same reputation as the Director of OMB; as being no good, as turning down everybody's budget request. I want to warn you.

Mr. STAATS. We faced this situation some months ago. We said we should not be the staff for the congressional budget committees.

Chairman HOLIFIELD. We have to ask you a couple of questions for the hearing record, and Mr. Goodwin will ask them.

Mr. GOODWIN. Mr. Staats, in connection with the impact on employees, can you tell us how many employees would be involved in the transfer of audit functions to the GSA as contemplated?

Mr. STAATS. You want us to respond now?

Mr. GOODWIN. If you have the figures.

How many people do you have conducting the transportation audit function?

Mr. STAATS. We have, as of the end of May, Mr. Goodwin, a total of 459 in this area. That is altogether. If this function were to be transferred as of today, we estimate that 397 of these would transfer and 62 would remain. We should point out that with this computerization effort going forward, this figure will be reduced somewhat between now and the 1976 date. It has been a declining program, as far as personnel are concerned, for a number of years. In 1962, we had 1,100 people involved in this effort.

When I came to GAO in 1966, we had 850 and through management improvements we have been able to bring that 850 down to the 459.

Mr. GOODWIN. Do you know what would be the impact on the ongoing programs for training and upward mobility that you mentioned?

Mr. STAATS. We are going right ahead. We are projecting that program to increase over the next 3 years. We have laid this all out in our budget plans before the Appropriations Committee this year. We have set up a steering committee to work with our employees on this transfer. We have had several meetings with them.

Mr. Keller and I have met with our Equal Employment Council personally, and we want to work with the members of that Council. We also will work with all employees to insure that there is every opportunity for them to make the choice that is best from their own point of view. The language of the statute, we think, actually gives them more protection than they would have if the function remains in GAO.

Mr. GOODWIN. I would like to turn to Title IV, Employment of Experts and Consultants. Isn't this the first time that any agency outside the Executive Office of the President would have authority to employ experts and consultants at an executive level salary?

Mr. STAATS. Well, NASA has had this authority for quite some time, and the Inspector General for the foreign assistance program has this authority. We do believe that there is a great need for this. We don't like to be in a position of asking people to help us out for less than their going rate, nor do we like the idea of having to turn to contracts in order to avoid the limitation.

We are working in some of these complicated areas like medical facilities construction. We need to go outside and get leading experts in those fields to advise us. That is the reason we are asking for it. I realize this has not been widely done, and it is not a matter that the Civil Service Commission is very happy about. I guess we just have to leave it to your judgment as to whether we have made our case.

Mr. GOODWIN. Is this unique to GAO or do other agencies equally have a problem?

Mr. STAATS. It is easy for any agency to say it has a unique problem. We do have a serious problem. If I could speak more broadly than GAO, I think the case could be made for a large number of agencies. What I think is happening today is that agencies are contracting out for personnel services in a much more expensive way, in a much more time-consuming way, than would be reasonable if they had a little more flexibility. But I would certainly agree that there ought to be numerical limitations in each case.

We are engaging in somewhat dishonest practices today in order to evade this ceiling. I have been very candid with you about it.

Mr. GOODWIN. Your statement emphasizes the need for the temporary use of such experts and consultants. The provision as drafted would give you the right to employ these people on a permanent basis?

Mr. STAATS. This is a technical problem. A consultant can be hired only for 120 days in a year. If we are involved in a study which runs for a year or a year and a half, some limit other than a permanent status would be quite acceptable if it gives us a little more flexibility than the 120 days.

Mr. GOODWIN. Thank you.

Chairman HOLIFIELD. I am going to ask you a few questions, just briefly.

Getting back to this rental problem, GSA is required to charge rents which includes amortization of the building cost, and this is added to the building fund for replacement of buildings. Would GAO be charging rent to itself and other agencies on the same basis?

Mr. STAATS. You mean for people who are in our building?

Chairman HOLIFIELD. Yes.

Mr. STAATS. Our present thought on that would be that we would first want to consult with GSA and we would take their views into account. But the amount of space involved is really not very significant from the point of view of the overall fund. Our present thinking has been simply to take the total cost of operating the building and share it on a pro rata basis.

Chairman HOLIFIELD. Your answer then is that you would not operate under the law which GSA is required to operate under on the basis of a rate which includes amortization of the capital cost of the building?

Mr. STAATS. I don't believe the Public Buildings Act requires amortization. It provides that they set their rates on the basis of commercial rates. GSA is going to charge the same rate as a building located at Connecticut and K, and that is the most high-priced office space in the whole city. We are in a pretty undesirable area, as you know from having visited our building.

Chairman HOLIFIELD. All right, one other point. You request leasing authority for 10-year periods. GSA has leasing authority for 20-year periods. That should enable you to get cheaper leases. Shouldn't you change this authority to 20 years if we decide to do this?

Mr. STAATS. I would have to consult with my staff on that one, Mr. Chairman.

Chairman HOLIFIELD. All right. Now, we haven't gotten along as fast as we wanted to this morning, but I will yield for a couple of questions.

Mr. BUHLER. On the transfer of the building from GSA to GAO, presumably that also would remove from GAO any outside independent controls over your space demands. Would it be desirable, do you think, in terms of better management to transfer the control of the buildings to the Architect of the Capitol and give him the authority to limit the space demands of GAO?

Mr. STAATS. The Architect of the Capitol has jurisdiction with respect to the House, the Senate, and the Library of Congress. The other agency of the legislative branch, the Government Printing Office, has control of its own space in much the same way that we are proposing for the GAO. As an agency with 5,000 employees and with space requirements in roughly 20 different locations in the United States and three locations overseas, we already have built up a good deal of expertise in this area. Therefore, we think it makes better sense from a management point of view for us to handle it directly.

If we were a small agency with no field organizations, then I would be quite agreeable to the Architect of the Capitol handling it. Another point that should be emphasized is the need for independence. By law we audit the Architect of the Capitol in the same way we audit GSA. One of the reasons I am making this case is that we do have the job of auditing GSA, just as we have a job of auditing other executive agencies.

Mr. BUHLER. I am confused by the argument that this would remove from GAO any appearance that it was being easy on GSA because it was the tenant of GSA. I believe you stated earlier you would not seek control of your buildings elsewhere other than Washington, and so forth?

Mr. STAATS. If we occupy Government space, that would be true.

Mr. BUHLER. Then you would be occupying buildings controlled by the GSA. You are saying in Washington you would have independence and the regional offices would not. Do you really gain so much? Are we really following through on the appearance issue?

Mr. STAATS. Just as a Member of Congress occupies space in a Federal building, I assume they will be under the law. We would want to follow the same practice as for a Member of Congress.

Chairman HOLIFIELD. Thank you, Mr. Staats.

We may have some additional questions for you, and we will look forward to receiving answers.

Perhaps some of your people can stand by. We are going to ask Mr. Friedlander and Mr. Zechman of the General Services Administration to come forward. You may be interested in their view on this matter.

Mr. STAATS. We appreciate very much your hearing us.

[Additional information relating to title II follows:]

U.S. GOVERNMENT GENERAL ACCOUNTING OFFICE,
Washington, D.C., June 10, 1974.

To: Committee on Government Operations, Subcommittee on Legislation and Military Operations.

From: U.S. General Accounting Office Black Caucus, Otha J. Miller, President.
Subject: H.R. 12113—Title II "Audit of Transportation Payments."

Transportation is the second largest industry in the world and one of the most important industries in the world. When an internal crisis occurs, such as World War II, the Korean War, or the Vietnam War, the United States Government probably becomes the largest shipper in the world, and it becomes imperative that the Government have highly trained personnel in the field of transportation both in the area of procurement, payment, and auditing the transportation accounts as well as adjudicating transportation claims. During the hearings of June 5 and 6, 1974, only a small amount of testimony was directed to Title II, of H.R. 12113.

We wish to call attention to Title II, Audit of Transportation Payments, which would amend Section 322 of the Transportation Act of 1940 to transfer primary authority for the audit of transportation bills and recovery of overcharges, from GAO to one or more agencies of the Executive Branch as designated by the Director of OMB. It proposes that the entire transportation audit function, including the settlement of claims, be transferred to the Executive Branch not later than July 1, 1976, with GAO retaining its oversight responsibilities as well as an appellate function enabling carriers to request the Comptroller General to review executive agency action on their claims.

We would like to point out that over the years the General Accounting Office has developed a staff of highly trained specialists in the field of transportation such as auditors, claims adjudicators, and employees who maintain the Tariff Library and other support groups. The expertise of these employees cannot be duplicated. There is no other central location within the United States that has developed such a staff. It seems rather strange that the Comptroller General does not appreciate this staff and wishes to be rid of it by transferring it and its work to another agency of the Government. Could it be the EEO problems in TCD? We feel that the serious labor-management problems in TCD are the real reasons for the Comptroller General ignoring the recommendations of three transportation studies, and is proposing legislative action to force the transfer of the function to one or more Executive agencies. Little consideration appears to have been given to the psychological and economic impact that this bill has and will have on the employees involved in this move. There are several discrimination complaints and a class action suit pending at GAO emanating from TCD, some from minority group persons and women. The employees fear the unknown factors involved in this transfer. It would appear that more specific plans should have been worked out before this bill was presented to Congress.

There are many whites in the transportation division who have serious grievances but, because of the repressive atmosphere, have no means of airing their grievances. So we are not only speaking for ourselves but for all of our coworkers.

However, if 397 employees are transferred with the function to another agency and 62 remain in GAO, it would appear that the receiving agency would not have a large enough staff to do the job.

While we do not deny that the transportation audit function is primarily operational in nature and it is advocated that the function be placed in the Executive Branch, there are several strong considerations which should be taken into account prior to concluding that the function should be removed from GAO. We invite your attention to the findings and recommendations of the Hoover Commission Report (March 1955), the Joint Agency Transportation Study (March 1970), and the Joint Transportation Audit Study—DOD and GAO—

(March 1972). The Hoover Report concluded GAO retain the post audit rather than requiring DOD and GSA to preaudit transportation bills and that all bills of lading used in connection with Government payments be audited by the General Accounting Office. The March 1970 study concluded that the central GAO audit and settlement role be continued and that continued emphasis be placed upon systems development with the objectives of attaining maximum audit coverage through computer and other techniques and minimum manual reviews of individual transactions. The Joint Agency Transportation Study of 1972 was exhaustive and voluminous and produced new concepts and systems designed for better conducting the Government's transportation business. It also included an extensive study of the GAO technical audit of transportation payments. The report of the study group compiled alternate methods of handling the audit with our present operation and recommended that the central GAO audit and settlement role be continued. The report further stated, as follows:

"There is no overall advantage to the Department of Defense or the Government as a whole for the audit and settlement of DOD transportation payments as now being performed by the U.S. General Accounting Office to be transferred to DOD. Therefore, it is not considered to be feasible or desirable to effect such a transfer.

"If a computerized system can be developed which would provide for the integration of shipping, billing, payment, and audit processes the feasibility and desirability of transferring the audit should be re-examined."

Based upon the recommendation of the DOD-GAO Joint Study Group, it would appear that Title II of H.R. 12113 is premature in that a computerized system has not been developed to the extent visualized by the Study Group. To our knowledge, only one of the simplest of about 34 transportation modes has been even partly computerized and that has taken over 5 years. When, and if, a computerized system has been developed, at least to 85% to 90% of capacity, the feasibility and desirability of transferring the audit should be re-examined.

Further, the proposed transfer of function should be scrutinized in the light of the danger of transferring the function with only a marginal or inadequate staff. It is obvious that some employees of TCD will not choose to transfer with the function. Additionally, approximately 50% of employees working in this function will be eligible to retire from Government on or before the proposed deadline of July 1, 1976, set for transfer of the audit function. As the OMB Deputy Associate Director has stated in his testimony before this Subcommittee:

"I also recognize that GAO is in the midst of a long term effort to streamline and greatly simplify traditional transportation billing and audit approaches and that a good deal of time and effort must be invested, prior to any transfer, to develop and install the improvements which they have in mind. We are therefore dealing with a changing activity where we may not be able accurately to define now the numbers and kinds of people and the equipment which will be needed to run this function at the time of transfer. In addition, I recognize that there will be many individual employees now in GAO who will be faced with important career decisions of their own in terms of whether they wish to transfer out of GAO."

We are concerned that computerization be substantially complete and that the audit function be in a stable condition at the time of transfer. Further, the question arises as to whether a Cost Benefit Study should be conducted by an independent organization to ascertain whether transfer of the audit function from GAO will provide tangible benefits to the Government which will outweigh disruption to the function and costs associated with the transfer.

Assuming that the Congress concludes that the function should be transferred, a study should be made as to the single, Executive agency, i.e., DOT, GAO, Treasury, or a new independent audit agency to which it should go. Further, as the OMB official has testified:

"... GAO and the gaining agency, along with OMB, will have a joint responsibility to see to it that a fully effective unit is transferred, that the work continues to be properly performed, that the interests of individual employees are protected, and that they are given every assistance in looking to their own best interests.

"... certainly a carefully prepared implementation plan mutually agreed to by GAO and the gaining agency would be necessary and the assistance of the Civil Service Commission would be highly desirable on the personnel management aspects of the transfer."

In the memorandum from the Comptroller General dated January 25, 1972, an organizational realignment was set up. Under provision 3 it was stated: "The present Transportation and Claims Divisions are consolidated into a single division and the transportation and traffic management review function (TRAT-MAR) is reassigned to the new Logistics and Communication Division. This change has two objectives. One is to concentrate all aspects of Government—logistics—including the related functions of transportation, warehousing, distribution and inventory control—in one audit division. *The other is to provide better long-term opportunities for the utilization and development of the personnel assigned to the important claims and transportation payment audit functions.*" The reorganization was effected in about May 1972. The question then arises as to what prompted the decision in mid-1973 to transfer the audit function from GAO rather than waiting until the recommendation of the DOD-GAO Joint Study Group could be implemented?

We are concerned that the interests of individual employees are protected and that they will be given, in the event of transfer of the function, every assistance to protect their economic and job interests. Many clerical personnel are Blacks and females and are in the lower grades and will be most vulnerable in the event of transfer. As of May 1974 there were 459 employees in TCD of which over 45% were Blacks.

Assurance must be given these lower-grade employees that the Freight Rate Specialist training program and other upward mobility programs will be continued at the gaining agency and that they will receive equal employment opportunity after transfer. A review of the gaining agency's EEO and upward mobility programs and atmosphere should be examined. Employees of TCD should not be transferred to the gaining agency if there is no assurance that they will be employed for longer than one year.

It is also our concern whether there will be any employees of TCD who will not transfer and who will not be retained at GAO. If so, what actions will be taken to train them to qualify and be placed in other jobs? Standards and criteria similar to those utilized under a merit promotion program should be set up for selecting employees who will remain and those who will go. Wherever possible, consideration should be given to retaining a representative number of minority group and female employees in TCD at GAO. Serious consideration should be given in determining who will make the final selection of employees who are to remain and those who will be transferred. There should also be a close working relationship between not only management groups of GAO and the receiving agency but also between employees representing EEO and upward mobility programs at both agencies.

Once the single Executive agency has been identified to receive the function, serious consideration should be focused upon physically retaining the function, if at all possible, within the District of Columbia. This is essential to assure that lower-grade employees whose incomes are limited will be able to commute to the new job site and not be faced with relocating their residences and for encountering insurmountable transportation and parking problems.

In concluding, should it be determined that the transportation audit function be transferred to the Executive Branch, a carefully prepared implementation plan, mutually agreed to by GAO and the gaining agency, with input by all levels of employees of TCD, and assistance from the Civil Service Commission, would be essential to a successful transfer of the audit function.

With the permission of this Committee, we request that the full text of the Hoover Commission Report, the Joint Agency Transportation Study, and the Joint Transportation Audit Study be included in the record.

We thank you for this opportunity to try and show you the picture as viewed by the employees who will be involved if transfer of the transportation and audit function is accomplished.

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, D.C., June 21, 1974.

Hon. CHET HOLIFIELD,
Chairman, Subcommittee on Legislation and Military Operations, House Committee on Government Operations, House of Representatives.

DEAR MR. CHAIRMAN: We are pleased to respond to your request that we comment on the letter addressed to the subcommittee by Mr. Otha J. Miller, President of the General Accounting Office Black Caucus, regarding Title II of H.R. 12113, "Audit of Transportation Payments."

The letter expresses the concerns of the GAO employees who would be affected by the transfer of the rate audit function to the Executive Branch. Most of the concerns discussed in the letter have been made known to us during various meetings held with representatives of the Black Caucus and other employee organizations, and have been given full recognition in our planning for the transfer. These concerns are:

- Reasons for the transfer;
 - Computerization of operations;
 - Plans for the transfer;
 - Timing of the transfer;
 - Staffing considerations, and
 - Other employee concerns.
- Following are specific comments on each of these concerns.

BACKGROUND AND REASONS FOR THE TRANSFER

Mr. Miller raised questions dealing with the rationale for the proposed transfer, the relation of the transfer to the recommendations of three groups that studied Government transportation issues, and cost-benefit implications of the transfer.

As indicated in my statement of June 5, 1974, before your subcommittee, the basic reason for proposing the transfer of this operation is that by its very nature it is primarily an operating function of the Executive Branch. Almost all of the transportation costs of the Government are incurred by Executive Branch agencies in the course of carrying out their operations. This being the case, the responsibility for determining that the charges billed are technically correct belongs to the branch of Government that procures the transportation services. Under the policy established by sections 113(a) and 117(a) of the Budget and Accounting Procedures Act of 1950, this is true for payments for all other types of services and it should apply as well to transportation.

The detailed transportation audit function is simply not consistent with the general purposes, objectives, and responsibilities of the GAO as they have been modernized over the past 25 years. Its primary emphasis is now on evaluating the efficiency, economy, and effectiveness of executive agency management performance and on assisting the Congress in its legislative and oversight work. Responsibility for the detailed audit of transportation expenditures should be vested in the Executive Branch, subject to overall review by the GAO. This change would conform this large area of Federal expenditure to the same concept of executive management control, subject to GAO postaudit, that applies to all other categories of expenditures.

Concerning the previous studies performed by various groups since 1955 on the audit of transportation payments that were cited in Mr. Miller's letter, an explanation of the scope and objectives of these various studies will place in better perspective the conclusions and recommendations made.

A subcommittee of the 1955 Hoover Commission studied the prepayment audit capability of various agencies and, based on the success of the preaudit operations of AEC and TVA, concluded that the postpayment audit in GAO could be eliminated. The Hoover Commission rejected the subcommittee conclusions and recommendations, citing the relative simplicity of AEC and TVA shipments, and stated that expansion to more complicated traffic of the other agencies of a prepayment audit would further delay payment and be contrary to the intent of the faster payment provisions of the Transportation Act of 1940. Neither the subcommittee nor the Commission considered a transfer of the postpayment audit operations from GAO.

The Joint Agency Transportation Study conducted in 1969 and reported on in 1970 was the study that introduced new concepts and systems for better conducting the Government's transportation business and not the 1972 study as stated in Mr. Miller's letter. The 1970 study did conclude and recommend that the postpayment audit functions remain in the GAO at that time. In their consideration during the study, the alternatives explored by the study team were decentralizing the audit (1) to civilian and military paying locations, (2) to paying agencies and departments, and (3) to the Department of Defense for all military agencies and GSA for all civilian agencies. Again, this study did not address itself to transferring the postpayment audit operation to a single agency and continuing the centralized nature of the operation.

The scope of the 1972 joint DOD-GAO Transportation Audit Study was to explore the feasibility and desirability of transferring the DOD portion of transportation payments to the Department for final audit and settlement. This study group concluded properly that no advantage would be gained either by DOD or the Government as a whole from splitting the audit in this manner. The economies of scale from a centralized operation, the necessary duplication of extensive tariff files, and the expressed objections of the carrier industry to a decentralized operation were also factors in the group's conclusions and recommendations. Obviously, from the scope of the study, consideration of the transfer of the entire postpayment audit operation to a single agency was not considered.

Thus, the findings and recommendations of the three study groups were concerned with the feasibility of decentralizing various transportation audit activities and were made in consideration of the audit procedures and technology available at the respective times.

With the aforementioned studies as background, the GAO in early 1973, as part of our long-range planning, studied the potential for a transfer, not on a decentralized basis, but on the basis of transferring the entire operation as a centralized operation to the Executive Branch. Our rationale was and is that a centralized operation, with sufficient staffing, would:

- Operate as efficiently in the Executive Branch as in GAO;
- Improve the ability of the gaining agency, particularly GSA, in carrying out its transportation responsibilities;
- Meet the legitimate concerns of the carrier industry; and
- Serve as the basis for continuing the streamlining, computerization and other improvements to enhance the efficiency and economy of operations.

COMPUTERIZATION OF OPERATIONS

Perhaps misled by some of the information disseminated regarding the computerization of GAO's transportation audit operation, Mr. Miller indicated that a fully operational computerized rate audit must exist as a prerequisite to the transfer. Although a computerized audit of the major modes of traffic is still a goal to be achieved to the degree possible before the transfer is effected, we believe that with the automated auditing concepts now established, the acquisition of the necessary input and tariff data, and the computer programming completed and tested, a degree of automation will be possible on the major modes of traffic by the transfer date. This work, which is underway, would be continued by the gaining agency to permit a more efficient audit on a cost-effective basis.

The successful automation of the domestic household goods audit referred to in Mr. Miller's letter was a pioneering effort in automating the rate audit of a complete mode of traffic. The result has been to audit payments and recover additional overcharges from carriers that could not be audited on a manual basis and remain cost-effective. Moreover, the time spent and knowledge gained in developing this system has accelerated the conceptual and programming phases in the automation of the principal passenger and freight modes.

In our automation efforts to date, we have also planned and arranged to use our computer and shipping data generated by DOD computers as an analytical tool to screen and collate the incoming work from the paying offices in order to select out, for detailed manual audit, specific payments most susceptible to carrier overcharges. This screening and collating is now being performed with original documents on a manual basis by our clerical support staffs. Utilization of microfilm and microfiche obtained from payment offices will substitute for the original documents now being sent to the GAO. This improvement will be an interim step as we proceed with the utilization of the same data in developing the computerized rate audits of the major modes of traffic.

As another example of using the computer to streamline audit operations, in April 1974 we implemented into our computer system data collection and analytical techniques to better identify strata of transportation transactions which are most likely to involve significant overpayments. The results of this effort will be that unproductive audit work will be sharply reduced. Again, this represents another step in our progress toward computerization of the rate audit.

In summary, we are proceeding steadily toward greater computerization of the audit. It is a step-by-step process and from a practical view will continue on for many years as more sophisticated computer equipment becomes available and improved methods and procedures are developed.

We will assist the gaining agency in continuing these efforts after the transfer.

PLANS FOR THE TRANSFER

Mr. Miller stressed the need for specific plans for the transfer and that input should be obtained from the gaining agency, from the Civil Service Commission, and from all levels of employees affected by the transfer. The statement of the Deputy Associate Director, Office of Management and Budget, made to your subcommittee on June 6, on the need for a carefully prepared coordinated implementation plan for the transfer was cited.

We are in complete accord with Mr. Miller's and OMB's statements. Recognizing the prerogatives of the Congress and the need for many Executive Branch determinations yet to be made in regard to the proposed transfer, we have taken all actions practicable to develop a coordinated transfer plan at this time. The plan as it is further developed will be subject to modification by OMB, CSC, the gaining agency as soon as such agency is designated, and other interested parties.

It was due to concerns similar to those expressed by Mr. Miller and our desire to effect an orderly transfer of this function that I appointed a Steering Committee in September 1973 to study and evaluate all phases of the present audit; the nature, timing, and acceleration of planned improvements in our operations; and the impact on the affected employees from a standpoint of their individual careers and their rights as Federal employees. My memorandum establishing this Steering Committee is enclosed.

The Steering Committee, comprised of four key GAO officials—the Director of Transportation and Claims Division, the Director of GAO's Office of Program Planning, the Director of the Division of Financial and General Management Studies, and an Associate General Counsel—was formed to facilitate the transfer of the rate audit functions and assure that all necessary actions were taken to make the transfer feasible on or before July 1, 1976. This Committee has the responsibility for developing a plan which includes:

Alternative courses of action available to GAO with and without passage of legislation transferring the rate audit functions.

Recommended actions, ranked by priority, which GAO can take to improve the efficiency and effectiveness of the transportation rate audits.

A timetable for implementation of such actions.

Recommended long-range manpower plans for the rate audit.

This plan will set forth the actions to be taken regarding selection of personnel, recruitment, training, timing of the transfer, etc., and will assure a completely adequate staff to the gaining agency to carry out the required operations as they exist at the date of transfer.

TIMING OF THE TRANSFER

Questions are raised in Mr. Miller's letter as to whether the proposed transfer is premature. As stated in my testimony, the transfer of operational functions of an executive nature has been a program that has been carried out since the enactment of the Budget and Accounting Procedures Act of 1950. I also stated that the complexities involved in the tariff pricing structures covering transportation did not permit an earlier transfer until the later development of computer techniques. With the advances made in industry and the Government in the adaptation of these techniques to this area of Government expenditure, we believe it is entirely feasible that the auditing of these payments can be facilitated using computer techniques. The work that has been done to date by GAO in advancing the use of these techniques can be used by the gaining agency to further efficiencies in audit operations.

This foundation or framework is now well underway, and we feel confident that the timing of the transfer, as envisioned in H.R. 12113 (on or before July 1, 1976), will give us ample time to provide the framework for streamlining the audit operation using computers and other updated techniques.

STAFFING CONSIDERATIONS

Mr. Miller expressed concerns as to the adequacy of the quantity and capability of the staff to perform the audit functions after the transfer, particularly pointing out that many employees will be eligible for retirement. We have had these same concerns for several years; however, we are now certain that, through

our training programs and the implementation of operational improvements, we will be in a position to transfer a fully effective complement of qualified and capable employees.

Over the years the number of employees involved in the audit has decreased. We have maintained the balance of workload demands and staff availability in several ways. For example, the hiring of technical employees has been kept to a modest level and we have partially filled our needs for technical expertise by training clerical personnel. An important aspect of this training is that many of our low-graded employees have been able to qualify for higher paying jobs. This is a continuing program and presently 12 employees enter training each year. Any needs for clerical staff replacements can be met on a timely basis through our normal recruiting processes.

Currently we are working on 12 projects aimed at streamlining the rate audit operations that will further reduce staff needs. The implementation of the improvements that result from these projects will be done to better balance workloads with staff availability before and after the transfer.

EMPLOYEE CONCERNS

Mr. Miller also indicated that employees have other concerns and apprehensions over the proposed transfer. This is certainly understandable. Key concerns cited are the method of selecting the employees to transfer and to stay, the location of the audit after transfer, equal employment opportunities in the gaining agency, and continuation of upward mobility and training programs by the gaining agency.

We are sensitive to the concerns, interests, and rights of our employees. As early as September 1973, we issued a detailed memorandum to all employees involved in the transportation rate audit which explained (1) what the transfer entails and its precedents in GAO history; (2) why the transfer is being proposed; (3) previous studies and recommendations; (4) when the transfer will be feasible; (5) how the rights of GAO employees will be protected, and (6) GAO's future role in transportation. Also, on an office-wide basis, we have advisory councils representing employee EEO interests, youths, and women. In addition to these councils, the personnel directly affected by the transfer are represented by separate advisory councils elected by employees, supervisors, and management. We believe that these councils give assurances that employee concerns and grievances are dealt with adequately and timely.

Obviously it is not possible to specifically resolve at this time all of the concerns of employees involved in the rate audit. For example, the designation of a specific location for the audit after transfer will be based on many factors that must be considered at some future time by the gaining agency.

Notwithstanding, we have advised GSA, as a potential gaining agency, of employee concerns. [GSA officials, in our preliminary discussions, have indicated that career development opportunities at their agency are excellent; that upward mobility training programs would be continued; that the location of the audit would remain in the Washington, D.C., area; and that GSA is fully committed to the principles of equal employment opportunities. GSA officials share our desire that to the extent feasible a fully operational and intact organization would be transferred in order to avoid disruption to employees and the efficiency of the audit activity.]

The Steering Committee will, of course, consult and work with the CSC on matters dealing with employee interests and rights.

* * * * *

From the foregoing, it is apparent that actions have been taken and a great deal of consideration has been given and will continue to be given to resolving any potential adverse impact the transfer might have on employees. These actions and considerations involve the protection of employee rights to continued employment by the gaining agency to the full extent permitted by CSC regulations and the additional provisions in section 202(b) of H.R. 12113; continuation of upward mobility programs in GAO prior to the transfer to assimilate needed employees in other phases of the work of the GAO; and the continued training of lower-graded clerical employees to provide needed technical talent before and after the transfer.

As I stressed to your subcommittee, I feel it is extremely important to GAO's long term well-being as an agency of the Legislative Branch and the Congress

to "get executive functions out of GAO." If we hold that line, we are in a better position to resist proposals to give us operating-type responsibilities in the future that rightly belong in the Executive Branch.

Sincerely yours,

Comptroller General of the United States.

Enclosure.

U.S. GOVERNMENT GENERAL ACCOUNTING OFFICE,
Washington, D.C., September 10, 1973.

To: Heads of Divisions and Offices.

From: Comptroller General Elmer B. Staats.

Subject: Steering Committee—Transfer of Transportation Rate Audit and Related Claims Functions to the Executive Branch.

On August 9, 1973, the Program Planning Committee determined that certain changes in the transportation rate audit functions should be aggressively pursued. These proposals for change cover a wide range of policies and procedures, and require talents located outside of the Transportation and Claims Division; therefore, a GAO project team will be designated by and report to a Steering Committee on the Transfer of Transportation Rate Audit and Related Claims Functions to the Executive Branch. This committee will be responsible for planning and directing these efforts. The following individuals will serve on this steering committee: Thomas E. Sullivan, TCD; Donald L. Scantlebury, FGMSD; F. Henry Barclay, Jr., OGC; William N. Conrardy, OPP.

The primary concern of this committee—to facilitate transfer of the transportation rate audit and claims functions from GAO to the executive branch—will be accomplished by accelerating our efforts to:

Measure the costs and benefits of decreasing the audit backlog by increasing audit minimums.

Streamline procedures for the detailed rate audit.

Simplify the transportation rate structure.

Computerize transportation tariffs.

Spin off portions of the rate audit to the appropriate executive agencies.

The committee will review our progress in these areas, and have a program plan prepared to coordinate these activities so that our goal of an early transfer of these functions may be achieved. The program plan will include sufficient detail to allow for immediate implementation without need for further policy decisions. The plan will include:

Alternative courses of action available to GAO with and without passage of legislation transferring the rate audit functions.

Recommended actions, ranked by priority, which GAO can take to improve the efficiency and effectiveness of the transportation rate audits.

A timetable for implementation of such actions.

Recommended long-range manpower plans for the rate audit.

The steering committee is authorized to designate a project manager to manage this special GAO proposal. Divisions and offices will provide needed staff assistance as requested by the committee. The steering committee is authorized to initiate contact with other agencies and to obtain whatever consulting services found to be necessary, in order to fulfill its mission.

I am sure that this committee will receive your whole-hearted support and cooperation. This is another step in our continuing effort to manage GAO's resources for maximum service and assistance to the Congress.

GENERAL ACCOUNTING OFFICE EQUAL EMPLOYMENT OPPORTUNITY PROGRAM
POSITION AND STATUS PAPER—FEBRUARY 1974

The cornerstone for developing a long-range integrated equal opportunity program is being laid through our affirmative EEO action planning. As an office we believe that EEO and effective personnel management, including the merit system, are interdependent and interrelated. The ultimate objective—managing our staff resources so as to make equal opportunity a way of life in GAO—can be brought about more rapidly by integrating this objective with all other program and work objectives.

Our immediate objective is to integrate EEO planning with all other management planning. For example, we recently changed our EEO Affirmative Action Plans to a fiscal year basis beginning with FY 1975 since all other management planning, including budgeting, is on this basis.

EMPLOYMENT AND RECRUITMENT OF MINORITY PERSONS AND WOMEN

I. Employment Profile: July 1972—January 1974

A. During the period from July 1, 1972, through January 31, 1974, a minority employment in grades 1 through 4 dropped from 341 persons to 269, a decrease of 72 or 21 percent. At the same time, minority employment in grades 5 through 8 increased from 227 persons to 384, up 157 or 69 percent. This shift was largely due to job reclassifications, promotions, training programs, and our college recruitment effort. A shift also occurred among white persons in these same grades during the same period. White employment in grades 1 through 4 dropped from 227 to 162, down 65 or 28.6 percent. In grades 5 through 8 it also decreased from 550 to 547, down 3 or .54 percent.

B. In grades 9 through 12, minority employment increased from 103 to 133, up 30 or 29 percent. Among whites in these grades employment decreased from 1,943 to 1,868, a drop of 75 or 3.86 percent.

C. In grades 13 through 18 minority employment increased from 17 to 35, up 18 or 105.8 percent. White employment in these grades went from 1,356 to 1,467, up 111 or 8.2 percent.

D. Overall, 688 minority persons accounted for 14.5 percent of the GAO general schedule workforce in July 1972. In January 1974 their number had increased by 133, bringing their total to 821 or 16.9 percent of the workforce. Significantly, the total GAO workforce in grades 1 through 18 increased by only 101 persons during this same period.

The table below shows the change in the minority composition of our workforce according to grade groupings:

Grade levels	Minority employees as a percentage of all employees		
	July 1972	January 1974	Increase
1 to 4.....	60.0	62.4	2.4
5 to 8.....	29.2	41.3	12.1
9 to 12.....	5.0	6.7	1.7
13 to 18.....	1.2	2.3	1.1

II. Recruitment of Professionals

A. Our college recruitment effort covering the period October 1, 1972 through June 30, 1973, resulted in the employment of 73 minority persons (men and women) and 32 white women, a total of 105 people out of 285 hires for GS-7 and 9 entry-level positions. The combined minority/female hires was therefore 36.8 percent, a figure far surpassing the 20 percent goal which had been established in our affirmative action plan. At the same time we hired 80 persons at grades 11 and above. Of this number, 16 or 20 percent were minorities/women.

B. In the first seven months of FY 1974 we continued to aggressively recruit women and minority students at colleges and universities across the country. Results so far indicate that by June 30 we will equal or improve upon last year's record. The following table provides a statistical review of our efforts:

COLLEGE LEVEL RECRUITING FOR THE 7 MONTHS ENDED JAN. 27, 1973

Group	Job offers		Reported and to report		Declined		Offers still outstanding	
	Number	Percent total	Number	Percent total	Number	Percent total	Number	Percent total
Black.....	59	17.1	33	16.8	18	19.6	8	14.3
Spanish ¹	18	5.2	14	7.2	2	2.2	2	3.6
Indian.....	1	.3	1	.5				
Oriental.....	6	1.7	4	2.0	1	1.9		1.8
White female.....	60	17.4	26	13.2	22	23.9	12	21.4
White male.....	201	58.3	119	60.4	49	53.3	33	58.9
Total.....	345		197		92		56	

¹ As of Feb. 11, the figures for this group changed as follows: Job offers, 20; reported and to report, 15; declined, 2 outstanding, 3.

C. Our effort to recruit minority persons and women at colleges and universities is being enhanced by participation of minority and female members of our professional staff as follows:

	Number
Blacks	29
Spanish surname	8
Oriental	3
White female	22
Total	62

These 62 individuals visited a total of 110 schools during the first half of FY 1974.

D. The chart below summarizes our FY 1974 efforts to recruit minority persons and women for positions at grade 11 and above.

UPPER LEVEL RECRUITING FOR THE 7 MONTHS ENDED JAN. 27, 1973

Group	Job offers		Reported and to report		Declined	
	Number	Percent total	Number	Percent total	Number	Percent total
Blacks	7	13.5	6	13.3	1	16.6
Spanish ¹	2	3.8	2	4.4		
Indian						
Oriental						
White female	7	13.5	7	15.5		
White male	36	69.2	30	66.7	5	83.3
Total	52		45		6	

¹ In this group 3 applications are also presently in process.

UPWARD MOBILITY PROGRAMS

Last February we established a task force to develop a "preprofessional" upward mobility program. Its purpose was to create new developmental or "bridge" jobs which together with college training at GAO expense would provide opportunities for employees in the lower grades to cross over into our professional ranks where greater potential exists for career advancement. This program became operational in November. The following charts provide brief statistical data on the grade levels, race and sex of persons currently participating in, or selected for April participation in, the various preprofessional programs.

MANAGEMENT ANALYST ASSISTANTS

Grade	Black ¹		Other		Total	
	Male	Female	Male	Female	Male	Female
4		1				1
5	1	5		4	1	9
6	1		1		2	
Total	2	6	1	4	3	10

MANAGEMENT ANALYST TRAINEES

Grade	Male	Female	Male	Female	Male	Female
5						
6			1	1	1	1
Total			1	1	1	1

CLAIMS ADJUDICATOR ASSISTANTS

Grade	Male	Female	Male	Female	Male	Female
5		2				2
6		1				1
Total		3				3

¹ The only minority group represented in application and selection processes.

The number of preprofessional positions will gradually increase through FY 1978 when we anticipate having 80 persons in the program at one time.

We also have an upward mobility program for employees aspiring to the technical position of freight rate specialist. The chart below profiles participants in this program.

FREIGHT RATE SPECIALISTS

Grade	Black ¹		Other		Total	
	Male	Female	Male	Female	Male	Female
4	1	1			1	1
5	2	1		1	2	2
6	1	2		1	1	3
7				1		1
8						
Total	4	4		3	4	7

¹ The only minority group represented in application and selection processes.

In addition to our structured upward mobility programs, we provide special employment and training opportunities to five (5) employees under the provisions of the CSC Worker-Trainee Opportunities Bulletin 713-81, dated April 27, 1973.

ORGANIZATION AND STAFFING

I EEO Office

A. Several months ago our Director of Program Planning was also appointed Director of EEO, replacing a person who was serving as Acting Director. A primary consideration in making this personnel change was our wish to better integrate equal opportunity planning with all other GAO management planning. The ultimate objective is to institutionalize EEO considerations through integration with day-to-day decisionmaking at all levels.

B. Fourteen months ago we established in the Office of the Comptroller General the full-time position of Deputy Director for EEO. More recently, another full-time EEO specialist position was established under the Deputy Director. The woman selected for this position was subsequently appointed Federal Women's Program Coordinator, replacing the person who previously served on a part-time basis.

C. Another full-time position in our EEO office is allocated for FY 1975.

D. During the summer we launched our Sixteen Point Program for Spanish Speaking, with our EEO Deputy Director serving as the program's national coordinator. He is assisted by 8 part-time coordinators in various regions of the country. Program emphasis to date has been on hiring more Spanish surnamed persons for our professional staff at both entry and upper-level grades. Results of this effort are encouraging.

E. Having established a viable EEO office, we recently discontinued the personnel relations committee whose primary purpose was consideration of equal opportunity matters. Procedures now call for our EEO Advisory Council (an elective body) to transmit its views and recommendations directly to the EEO Director. Information concerning its activities may be submitted to the Comptroller General through the EEO Director. This arrangement is intended to greatly expedite resolution of any institutional EEO problems as they arise.

II. Upward Mobility Programs

A. During the summer the full-time position of Director of Upward Mobility Programs was established and staffed, along with a support position.

B. Another full-time position will be allocated to upward mobility programs in FY 1975.

III. EEO Advisory Council

A. The 18-member EEOAC was established in October 1971 to provide an effective means through which employees could express their concerns and participate in the development of EEO policies and programs. For example, the Council was instrumental in our decision to establish the upward mobility programs cited above, and the Council chairman was appointed a member of the task force charged with program design.

B. Election of new Council members for 2 year terms occurs annually in February, with 7 of the seats up each year. In addition to the 14 elected representatives, the Council has 4 seats guaranteed to employee organizations. They include the Black Caucus, 2 labor unions, and the GAO Employees Association.

C. Council members are granted 8 hours biweekly to work on Council business. Additional time is provided to members when the EEO Director wishes their assistance on special projects such as preparation of suggestions for inclusion in the annual affirmative action plan.

COMPLAINT PROCESSING

During the period July 1972, through January 1974, 8 formal complaints of alleged discrimination were filed against GAO. The status of each in the complaint processing system is outlined below:

Discrimination because of race; Issue: promotion; Case pending in U.S. District Court; amended to include class action complaint.

Discrimination because of race; Issue: promotion; Case pending in U.S. District Court; included in class action complaint cited above.

Discrimination because of sex; Issue: denial of advancement opportunities; GAO cancelled complaint for want of prosecution (refusal of complainant to accept appointment of GAO complaint investigator); Case pending in U.S. District Court.

Discrimination because of sex; Issue: promotion; Hearing before Civil Service Commission complaints examiner in February 1974 resulted in GAO cancellation of complaint, decision based on complaint examiner's denial of request for hearing postponement on grounds that complainant's counsel had had adequate time to prepare case.

Discrimination because of race; Issue: systematic discrimination in hiring and promotion; GAO rejected complaint because it lacked specificity; complainant did not submit revised complaint.

Discrimination because of race and national origin; Issue: promotion; Investigation completed; Complainant and GAO secured informal adjustment.

Discrimination because of race; Issue: promotion; Investigation completed: Informal adjustment presently in process.

Discrimination because of race and sex; Issues: promotion; denial of upward mobility training; denial of opportunity for representation at meeting with management; denial of request to become EEO Counselor; investigation in process.

ALLOCATION OF RESOURCES

I. EEO PERSONNEL RESOURCES AS OF FEBRUARY 1974

Headquarters	Full time	Part time
Director, EEO		1
Deputy Director, EEO ¹	1	
Coordinator, EEO	1	
Coordinator, Federal women's program	1	
Officers, EEO		18
Counselors, EEO		13
Complaint investigators		4
Advisory Council, EEO		18
Office staff, EEO	2	1
Subtotal	5	55

¹ Serves as National Coordinator, 16-point program.

Field	Full time	Part time
Officers, EEO		15
Counselors, EEO		21
16-point coordinators		8
Total		44
Total number of EEO program personnel	5	99

II. ESTIMATED EEO FISCAL RESOURCES

Program activity	Fiscal years—					
	1973		1974		1975	
	Man-years	Amount	Man-years	Amount	Man-years	Amount
EEO counseling.....	0.80	\$11,000	0.55	\$9,000	0.80	\$12,500
Complaint processing.....	1.00	20,000	1.00	22,000	1.25	28,000
Program administration.....	6.25	139,000	9.05	230,000	10.05	278,000
EEO-related training.....	1.10	20,500	1.80	55,000	2.70	70,000
Total, EEO.....	9.15	190,500	12.40	316,000	14.80	388,500
Total, upward mobility.....			19.00	275,000	46.00	501,000
Grand total.....	9.15	190,500	31.40	591,000	60.80	889,500

Chairman HOLIFIELD. We are going to continue for quite a little while.

Mr. Zechman, will you proceed with your statement?

STATEMENT OF RONALD E. ZECHMAN, ACTING ASSOCIATE ADMINISTRATOR, GENERAL SERVICES ADMINISTRATION; ACCOMPANIED BY ISAAC E. FRIEDLANDER, EXECUTIVE DIRECTOR OF THE PUBLIC BUILDINGS SERVICE; JOHN J. LORDAN, DIRECTOR, OFFICE OF FINANCIAL MANAGEMENT, OFFICE OF FEDERAL MANAGEMENT POLICY; AND JOHN REUTEMANN, DIRECTOR, AGENCY TRANSPORTATION COORDINATION DIVISION, FEDERAL SUPPLY SERVICE

Mr. ZECHMAN. Yes, sir, I certainly will.

Mr. Chairman, members of the committee, it is a pleasure to appear before the committee today to discuss the General Accounting Office Act of 1973, H.R. 12113.

As you may recall, the Office of Federal Management Policy was established as a result of Executive Order 11717, dated May 9, 1973, which transferred a range of financial management, management systems, procurement management, property management, and ADP management functions from the Office of Management and Budget to the General Services Administration.

In doing so, the President indicated his desire for the General Services Administration to "assume a broader management role by becoming the President's principal instrument for developing better systems for providing administrative support to all executive branch activities." The order assigned GSA overall leadership responsibility for developing Government-wide policy in the administrative management areas, and for seeing that such policy is carried out within the departments and agencies.

In carrying out the financial management responsibilities of our new office, we work closely with the General Accounting Office through such interagency mechanisms as the joint financial management improvement program. The Comptroller General is chairman of the JFMIP this year. In fiscal 1975 Administrator Sampson will assume the chairmanship.

Our office shares with the GAO a commitment to improve auditing throughout the Government. To this end we recently issued Federal Management Circular 73-2, "Audit of Federal Operations and Programs by Executive Branch Agencies." The circular emphasizes the importance of the independent audit function, and, among other things, calls for early audits of new or significantly changed programs; provides for closer cooperation and coordination among audit staffs at various levels of government; incorporates by reference the recently issued GAO audit standards.

Because of our interest in the audit area, we enthusiastically support those parts of H.R. 12113 which seek to improve that audit of Federal activities. We believe that, on the whole, the bill would place basic responsibility for auditing with executive branch agencies—where we believe it belongs—leaving the General Accounting Office in a position to carry out its proper oversight responsibilities over the executive branch.

Title I of the bill, for example, would give department or agency heads responsibility for prescribing effective statistical sampling procedures to be used in examining disbursement vouchers, subject to limitations established by the Comptroller General. We would expect the departments and agencies to work closely with the GAO in developing these procedures—and, of course, the GAO would still have the job of evaluating the adequacy and effectiveness of the procedures.

Similarly, title II of the act provides for the executive branch to assume responsibility for auditing transportation payments. This is a highly specialized, time-consuming, and arduous task, but we agree that it is a proper function of the executive branch of the Government. Again, however, in connection with transportation payments, the GAO would retain oversight responsibility to assure that the designated executive branch agency does its job properly.

Should the bill be enacted and the transportation audit be assigned to GSA, it would complement our Government-wide transportation mission. In our statutory role of traffic manager for the civilian agencies, GSA provides a variety of transportation management programs designed to accomplish the most efficient and economical use of the various freight and passenger modes.

GSA also maintains a master tariff library which is utilized in serving Federal agencies requiring freight rate and passenger fare determinations, as well as routing, freight classification, and related technical data.

We also support section 301(a) of the bill which would clarify the authority of the Comptroller General with regard to nonappropriated funds, such as the military exchanges. Again, the spirit of this section seems to be that the basic responsibility for management and audit lies with the affected executive branch departments and agencies, and GAO retains the right to review their stewardship.

Although we support subsection 301(a), we seriously question the appropriateness of subsection 301(b), which requires an annual report to the GAO from each nonappropriated fund activity. We believe this direct reporting to a legislative agency is of an operating character which blurs the lines of responsibility between the branches of Government, and is inconsistent with the spirit of the rest of the bill.

Moreover, we believe subsection (b) may not be necessary. The purpose of the subsection is "to aid the Comptroller General in planning audits or reviews." We believe there already should exist, in the affected departments and agencies, adequate information for such purposes. If, in some individual case, there does not, a better remedy would be to work directly with the affected department or agency to get the information, rather than initiating a new across-the-board reporting requirement.

Generally, in the audit field it is not necessary to impose special reporting requirements just to aid in planning audits. If it is determined, after some experience is gained under subsection (a), that adequate information for audit planning cannot otherwise be obtained, we believe any additional reports that are needed should be made to the management of the affected department or agency. These, of course, then would be available for use by the GAO under the "access to records" provisions of subsection (a).

We would defer to the Civil Service Commission with regard to title IV of the bill, which deals with personnel matters.

We oppose title V of the bill which would remove a building occupied, in part, by the General Accounting Office from the custody of GSA, and give such custody to the Comptroller General. Mr. Isaac E. Friedlander, of the Public Buildings Service, GSA, is here with me, and will make a detailed statement with regard to this provision.

As far as Titles VI: Audits of Government Corporations, and VII: Revision of Annual Audit Requirements, are concerned, we believe they bring much needed uniformity and simplicity to audit provisions that were separately incorporated in a number of different laws over the years.

To the extent that these titles free the GAO from certain cycle audits that it apparently considers of relatively low priority, they make it possible to concentrate on more productive audit and evaluation work. Accordingly, we support title VI and title VII.

Mr. Chairman, this completes our statement. We will be happy to answer any questions you or members of the committee may have.

Chairman HOLIFIELD. Thank you.

Mr. Friedlander, do you have a statement?

Mr. FRIEDLANDER. Yes.

Chairman HOLIFIELD. We will hear your statement, and then we will ask questions of both of you.

Mr. FRIEDLANDER. Mr. Chairman, members of the subcommittee, I am I. E. Friedlander, Executive Director of the Public Buildings Service of the General Services Administration.

It is a pleasure to be here this morning to testify on title V of H.R. 12113, which would remove from the Administrator of General Services and grant to the Comptroller General exclusive custody and control over the General Accounting Office building, including the operation, maintenance, repairs, alterations, and assignment of space therein.

Such space would be assigned to other Federal agencies at such rates which may be agreed upon. The Comptroller General also would be authorized to lease buildings or parts of buildings for the use of the General Accounting Office.

The aforementioned are all functions for which GSA has been given authority and responsibility under the Federal Property and Administrative Services Act of 1949, as amended, and Reorganization Plan No. 18 of 1950, 64 Stat. 1270. It is our feeling that to vest these authorities in GAO would be in derogation of GSA authority and responsibility under these laws.

We feel strongly that Congress intended Public Law 92-313, which established a Federal buildings fund, to provide for total financing of the space needs of the Federal Government, including legislative branch agencies. Title V of H.R. 12113 would negate the purpose of the fund by creating diverse Government leasing authorities and by providing space in the GAO building for Federal agencies at negotiated rates rather than at "approximate commercial charges" as provided for in Public Law 92-313. In both respects title V of the bill would hamper GSA's administration of the Federal buildings fund. The following facts are of significance when specifically referred to title V of H.R. 12113:

1. GAO occupies only one-third of the directly assigned space in the GAO building, other Government agencies in the executive branch occupy the remainder.

2. As of June 30, 1973, GAO occupies more than 100,000 square feet of space elsewhere assigned to them by GSA in 32 locations in GSA leased and owned buildings in our 10 regions.

Chairman HOLIFIELD. As I understand it, they are not asking for custody over that space in the different regions. They are asking for it just here in Washington, isn't that true?

Mr. FRIEDLANDER. That is correct as far as custody, but the authority under title V would give them the opportunity to vacate such spaces and lease their own spaces in those same communities.

Chairman HOLIFIELD. I didn't get that impression from Mr. Staats' testimony this morning.

Mr. BUHLER. There is some conflict between the testimony of the Comptroller General and the actual bill. As we read the bill, he would be able to lease space outside of Washington, D.C.

Chairman HOLIFIELD. All right.

Mr. FRIEDLANDER. I believe that is correct.

3. Traditionally, other agencies have made space available to GAO "resident auditors," with the space continuing to be assigned to the host agency and not to GAO. With the advent of the Federal buildings fund, where agencies must budget for space assigned, agencies are questioning the desirability of continuing to provide such space to GAO. For example, DHEW has notified GSA that they have budgeted for such GAO space in fiscal year 1975, but they do not intend to do so in fiscal year 1976.

Such space totals approximately 18,000 square feet in five locations in the Washington/Baltimore area. GSA has written to the Comptroller General notifying him of this situation and asking him whether he needs to occupy that space or if he intends to give it up.

4. Because legislative branch space assigned by GSA for congressional district offices also is subject to the provisions of Public Law 92-313, we feel it inappropriate for the GAO building to be removed from these provisions, since this could be interpreted as giving GAO

a higher status than the Congress itself. Unlike Members of Congress, GAO would not be required to pay commercial rates, thus giving GAO a special arrangement not available to either the executive branch or Members of Congress.

5. The Library of Congress presently is assigned 745,195 square feet of space at eight locations for a total standard level user charge—SLUC—of approximately \$2,215,000. In addition, the Government Printing Office—GPO—is assigned 528,247 square feet of space at 32 locations for a total SLUC of \$2,227,000.

Chairman HOLIFIELD. Are they doing it by themselves?

Mr. FRIEDLANDER. No; but it was funded through the GSA budgets in the past. Since it will be eliminated with the advent of the Federal buildings fund, all occupants will be required to pay for the space. GSA no longer will have any funds to provide for the provision of such space.

Similarly, the Tax Court which is a legislative body is provided space under the SLUC. And the new building presently under construction similarly will be subject to charges under SLUC.

They do not contain a surcharge as has been mentioned here this morning. It is calculated to approximate commercial charges for comparable space and services as specified in the law. Since it is a comparable commercial charge, it does, of course, include all of the things that a commercial vendor would have to include to cover the costs of the building, which would, of course, include the necessary replacement costs for the building and the necessary repairs and alterations to maintain that building in occupiable condition, and the same sort of costs that GSA would have to incur. For this reason there would be generated in these charges such money to construct new buildings in the future.

Chairman HOLIFIELD. This is a way of solving the difficult problem of getting direct appropriations, is it not—

Mr. FRIEDLANDER. Yes.

Chairman HOLIFIELD [continuing]. Through the Congress for buildings?

Mr. FRIEDLANDER. Yes, sir, Mr. Chairman, it is. That was one of the purposes.

Chairman HOLIFIELD. Is it functioning?

Mr. FRIEDLANDER. It begins July 1, 1974.

Chairman HOLIFIELD. In the past haven't you had this charge, including depreciation and that sort of thing?

Mr. FRIEDLANDER. No, sir. The only funds appropriated to GSA for that kind of thing were for normal operations, repair, and operations as submitted to the Appropriations Committee in seven different appropriations and two funds for the Public Buildings Service. The agencies did not pay for this space. It was GSA-budgeted for all the space for these Federal agencies. With the advent of these new funds in their budget for fiscal 1975, the agencies were impacted in that they had to include in their budget a charge which had never been in their budget before, but it really was an intention to make their budget more truly reflective of the cost of their operation.

Space, real estate, is a very high and expensive cost of operation. The space occupied by them should be reflected in their budget so that

their Appropriations Subcommittee can decide if they are going to get more people, how much more space they will need, and include in their budget the cost for such things. In that way the GSA would be able to plan their program better knowing that the agencies had the money to pay for the space. Since the space is paid for when it is assigned and when it is occupied, better financial management of the real estate of the Federal Government could be maintained.

Chairman HOLIFIELD. I think this arrangement is a way of getting money for Federal buildings which we haven't been able to get through direct appropriations. I am not so sure that it is a good way. I have never been sold on this lease arrangement for buildings where the Government would pay twice as much for the space as it would pay by building and owning it outright.

Crystal City is being built for private owners on the basis of Government funds at excessive rental. If Congress had the nerve, it would have cost the taxpayer about half as much as it is now costing under the lease arrangements. That isn't your fault. It is the fault of Congress in thinking this is one way to keep the annual budget down. It keeps it down by reducing immediate outlays, but it sure raises the total long-term costs.

Go ahead.

Mr. FRIEDLANDER. 6. Title V would permit GAO to compete with GSA in leasing space, thus hampering the Government's negotiating ability. Title V also would result in the creation of a conflict whereby Government agencies could "shop" for space, because GAO would be permitted to establish rates for space which could be lower than the standard level user charge established by GSA.

7. The Administrator of GSA in response to a request from the Comptroller General to support identical language in title V, S. 2049, refused to do so on July 6, 1973.

Mr. Chairman, for these reasons GSA opposes the enactment of title V of H.R. 12113.

Thank you.

Chairman HOLIFIELD. Would you please supply the committee with the letter?

Mr. FRIEDLANDER. The letter to the Comptroller General?

Chairman HOLIFIELD. Yes.

Mr. FRIEDLANDER. Yes.

[The letter follows:]

HON. ELMER B. STAATS,
Comptroller General of the United States,
General Accounting Office,
Washington, D.C.

DEAR MR. STAATS: Thank you for your letter of June 30 providing me with a quotation of Title V of the draft bill entitled S. 2049.

It is my belief that Congress intended Public Law 92-313, which establishes the Federal Buildings Fund, to provide for total financing of the space needs of the Federal Government including legislative branch agencies.

GSA has administered the provisions of Public Law 92-313 impartially in every case and no exemptions have been granted. I see no potential conflict if GAO is called upon to audit GSA operations under the Federal Buildings Fund—GSA will assign and charge for the space assigned to GSA programs. I am confident that GAO can impartially review this program, just as GSA will be called upon to charge itself for its own space requirements.

The provisions of the draft bill negate the purpose of the Federal Buildings Fund by creating diverse government leasing authorities and by providing space in the GAO building for Federal agencies at negotiated rates rather than at "approximate commercial charges" as provided for in PL 92-313. Both provisions will hamper GSA's overall administration of the Federal Buildings Fund. Consequently, I oppose the enactment of Title V in S. 2049.

I appreciate your thoughtfulness in asking me to comment on the draft bill.

Sincerely,

ARTHUR F. SAMPSON, *Administrator.*

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, D.C., June 30, 1973.

HON. ARTHUR F. SAMPSON,
The Administrator of General Services.

DEAR ART: This relates to our telephone conversation with respect to a legislative provision which we have included in a comprehensive draft bill relating to the authorities and responsibilities of the General Accounting Office. One title in that draft bill, which has now been introduced in the Senate as S. 2049, reads as follows:

TITLE V—GENERAL ACCOUNTING OFFICE BUILDING

SEC. 501. Notwithstanding any other provision of law the Comptroller General shall have exclusive custody and control over the General Accounting Office Building, including the operation, maintenance, repairs, alterations, and assignment of space therein. The Comptroller General and the head of any Federal agency may enter into agreements for space to be occupied in the General Accounting Office Building by such agency at such rates as may be agreed upon. Amounts received by the General Accounting Office pursuant to such agreements will be deposited to the appropriation initially charged for providing operation, maintenance, repair and alteration services with respect to such space. The Comptroller General is authorized to lease buildings or parts of buildings in the District of Columbia (without regard to section 34 of title 40, United States Code) or elsewhere for the use of the General Accounting Office for a period not to exceed ten years.

I believe that this is the correct answer from both your point of view and ours in view of the new legislation which contemplates a system of charges for space. This program obviously is going to present many problems for GSA and the operating agencies and can be highly controversial.

In view of the fact that this Office will be called upon to audit and review the operations of the GSA under this program and to respond to congressional inquiries with respect to it, I believe sincerely that there is a conflict in our role in which we would be both expected to provide an impartial review of the manner in which the law is administered and possibly to make recommendations to the Congress with respect to needed modifications in the legislation. For this reason, I believe that your interest and ours would both be better served if our building is removed from the jurisdiction of the General Services Administration.

As you know, the General Accounting Office is the only agency of the legislative branch which is occupying space under the jurisdiction of the GSA. The enactment of the provision would not, therefore, create a precedent insofar as we understand it.

We would, of course, be desirous of working out whatever reciprocal arrangement for services as might be advantageous to both you and us in view of the fact that the General Accounting Office Building is occupied in part by executive branch agencies.

I hope that you will fully appreciate the reasons we have made this proposal and would hope that we would have your support for enactment of the proposed legislation.

Sincerely,

ELMER B. STAATS.

Chairman HOLIFIELD. All right, Mr. Roback.

Mr. ROBACK. Does the space assigned to the district offices of Con-

gressmen both in Federal buildings and outside come within Public Law 92-313?

Mr. FRIEDLANDER. If the GSA has leased the space for the district office of a Congressman, it would apply. If GSA has not leased the space, it would not.

Chairman HOLIFIELD. In my case I sign the lease for my Congressional district office and send the bill to GSA, do I not?

Mr. FRIEDLANDER. I do not know of that particular case. It could be that the bill would go to the House of Representatives for payment, but if it is a lease that has been made under GSA's auspices, then it would be subject to the standard level users charge whether you signed it or not.

Mr. ROBACK. How are these determined for Congressmen?

Mr. FRIEDLANDER. It would represent the current cost of the lease. If it were a 10-year lease, made 10 years ago, that lease—

Mr. ROBACK. Congress doesn't make long-term leases.

[Laughter.]

Mr. FRIEDLANDER. Even for the 2-year lease.

Chairman HOLIFIELD. It won't double on me next year because I won't be there to occupy it. We are given a limitation on what we can pay for a total allowance?

Mr. FRIEDLANDER. Yes, sir.

Chairman HOLIFIELD. I wasn't sure whether that was funded from GSA or from the House Administration Committee.

Mr. ROBACK. Would that limitation have to be amended?

Mr. FRIEDLANDER. The precise amounts currently are being worked out by GSA, the House Administration Committee, and the Sergeant at Arms of the Senate.

Chairman HOLIFIELD. Does the GSA furnish my office equipment in my district office?

Mr. FRIEDLANDER. Yes, sir, that will continue. But it will be funded by appropriations to the House Administration Committee and the Sergeant at Arms in the Senate, not by appropriations to GSA.

Mr. ROBACK. Congressional office space in Federal buildings, is that provided free?

Mr. FRIEDLANDER. No; that will be subject to SLUC in exactly the same way as it is at present.

Mr. ROBACK. I was asking whether there was any difference in handling district office space in Federal buildings and outside of the Federal buildings?

Mr. FRIEDLANDER. The only difference would be that if the Member of Congress made the lease himself without any GSA involvement, then it would not be subject to GSA. GSA wouldn't even know about that lease.

Mr. ROBACK. Is this an option of the Member?

Mr. FRIEDLANDER. Usually it is when space is not available in a federally owned building.

Chairman HOLIFIELD. Yes, if you have space available in a federally owned building, you are supposed to use it. In my district, there was no space available in a Federal building, therefore we had to lease from private ownership.

Mr. ROBACK. In leasing that, is it the option of the Member not to go through GSA?

Mr. FRIEDLANDER. Yes.

Mr. ROBACK. He might get it more cheaply?

Mr. FRIEDLANDER. Yes.

Mr. ROBACK. He is in a position to shop around?

Mr. FRIEDLANDER. The vast majority are in Government offices.

Mr. ROBACK. Can you clarify this reference made by Congressman Gray?

The courts recently asked to be exempt and their request was denied. Therefore, I am hopeful you can eliminate title V from H.R. 12113 which would have the effect of eliminating the Government Accounting Office from paying rent for the space they occupy.

Mr. FRIEDLANDER. All space provided to the Judiciary by the General Services Administration is covered by the standard level user charges—courtrooms, office space for the administrative offices of the U.S. courts, the Customs Court in New York, the Court of Claims here in Washington, all the courts of appeals.

Mr. ROBACK. Including the Supreme Court?

Mr. FRIEDLANDER. Not the Supreme Court. The Supreme Court is covered by a separate appropriation to the Supreme Court for transfer to the Architect of the Capitol.

Chairman HOLIFIELD. If the present transportation audit function is centralized in GSA, how do you propose to handle it, Mr. Zechman?

Mr. ZECHMAN. Mr. Chairman, if the Director of the OMB decided to designate GSA, we would assign that function to our Federal Supply Service which already has the transportation management function. Of course, we would take into consideration the rights of all individuals, as would the Comptroller General.

Chairman HOLIFIELD. Their job security and their career opportunities would be respected and protected?

Mr. ZECHMAN. Yes; sir.

Chairman HOLIFIELD. Will there be training programs and an upward mobility program?

Mr. ZECHMAN. Yes; sir. GSA, at the present under Administrator Sampson, has stressed upward mobility and also training for all our classes of employment.

Chairman HOLIFIELD. Is GSA taking advantage of automation, computers, and that sort of thing in the handling of their business?

Mr. ZECHMAN. Yes, sir. In fact, the Federal Supply Service has plans to automate their Federal inventory of supplies. That is under design at the present time.

Chairman HOLIFIELD. You believe that there are prospects then for further automation?

Mr. ZECHMAN. Yes, sir, I do. I can't speak to the audit program that would be transferred. But as General Staats indicated, they have made terrific strides. Members of my staff told me we would further that improvement if the transferred function came to GSA.

Chairman HOLIFIELD. Would you have any problem continuing the military audit offices in Heidelberg, Tokyo, MSTS, and so forth?

Mr. ZECHMAN. I am not familiar with that, sir.

Chairman HOLIFIELD. How could carriers be sure there would be a comparable set of regulations and procedures?

Mr. ZECHMAN. We would continue to use the same general rules and regulations.

Chairman HOLIFIELD. Well, if carriers had procedural problems could they bring them to the GSA to straighten them out?

Mr. ZECHMAN. Yes, sir. Also, the question was raised with the Comptroller General about the review. The carriers have indicated some concern for additional cost. The goal and objective of automation, if it came to GSA, would be to reduce the number of referrals to absolute minimum, otherwise we are not doing our job. If we do our job adequately and sufficiently and as expeditiously as possible, there should be limited referrals to the Comptroller General.

Chairman HOLIFIELD. Could you identify what would be nonappropriated funds within the executive branch, but outside the military departments?

Mr. ZECHMAN. Mr. Lordan, Director of Financial Management, has that information.

Mr. LORDAN. The act refers to a number of specific nonappropriated funds. For example, the Exchange Councils of NASA and the Exchange Services of the Coast Guard in the Department of Transportation are examples that would be outside the military.

Chairman HOLIFIELD. Are these like commissaries and restaurants?

Mr. LORDAN. They are very similar to the type of exchange service operations of the military. We agree with General Staats' statement this morning that it would not be desirable to include such things as the Smithsonian Institution and some of the others that he referred to.

Chairman HOLIFIELD. Under the GSA management of public buildings, is it easier to shift housekeeping and maintenance or custodial personnel from one building to another so as to take care of emergencies and other changes in requirements?

Mr. FRIEDLANDER. Yes, sir, Mr. Chairman, it certainly is.

Chairman HOLIFIELD. Would flexibility in this respect be lost by transferring to GAO?

Mr. FRIEDLANDER. Yes, sir, Mr. Chairman, we believe it would.

Chairman HOLIFIELD. Is the management overhead likely to be greater for a single building than for a multiple number of buildings?

Mr. FRIEDLANDER. Yes, sir, Mr. Chairman, I believe it would. I might add one more thing with respect to the General Accounting Office building. It is not completely separable at all. As an example, the building is heated by the Westinghouse heating plant through a steam tunnel. There is no provision for separately heating the GAO building. Therefore, it would be impossible to completely separate that building from some involvement with GSA under any circumstances.

Mr. BUHLER. I have a question.

The public building fund, I believe, was set up to control and manage buildings. If you remove a building from that fund, and it is a true revolving fund, wouldn't it be necessary to make a payment into the fund for the building to be removed? Therefore, is the bill adequate?

Mr. FRIEDLANDER. Of course, that is a very real and important question if the fund was designed and assumed a certain number of square feet of space and a certain amount of income to be anticipated from that. We do not, however, at this time capitalize all of the buildings in Government ownership in the fund. However, GAO has helped and GSA has agreed to consider capitalizing these buildings next year.

If that were done, of course, the fund, once capitalized, would have to be paid for the transfer of any property from the fund. At the present time, I cannot say the accounting procedures strictly require it, but in the interest of equity, it would certainly appear that something should be paid for the transfer of a real asset.

Chairman HOLIFIELD. Mr. Staats gave us some accounting figures on the increase in costs of space next year over this year, and so forth. Do you find throughout there has been a gradual or sharp increase in the rentals?

Mr. FRIEDLANDER. Yes, sir, Mr. Chairman, we do. We are finding that renewals of leases 10 years old are running approximately double of the original cost 10 years ago of those leases, representing a tremendous increase in real property costs over the years. We also have experienced those increases in direct Federal construction, I might add. They are related of course.

Chairman HOLIFIELD. Do you have a high percentage of leases longer than 10 years? Do you utilize the 20-year provision or not?

Mr. FRIEDLANDER. Yes, sir, we do, but not in a high percentage. We do it by means of operational renewals.

Chairman HOLIFIELD. You protect yourself for a longer term by options to renew?

Mr. FRIEDLANDER. Yes.

Chairman HOLIFIELD. Mr. Goodwin?

Mr. GOODWIN. Would it cause any difficulty in your management of the public buildings if some of the agencies were put in a position where they could scramble for space in a GAO building because they could get it for cheaper rates?

Mr. FRIEDLANDER. Yes, sir.

Mr. GOODWIN. You don't like the idea of agencies competing with one another for cheaper rates?

Mr. FRIEDLANDER. No.

Chairman HOLIFIELD. That is why we placed in GSA the central power to lease for all agencies of the Government. We have found agencies competing with one another and running the rental up.

Mr. GOODWIN. Do you think transportation audit ought to be centralized in one agency rather than split?

Mr. ZECHMAN. Yes, it would be advantageous.

Mr. GOODWIN. There might be some need to designate some part of the operation to offices in Heidelberg, Tokyo, and MSTs. Do you see any problem?

Mr. ZECHMAN. No.

Mr. GOODWIN. In that event, carriers would be concerned that there be a common set of regulations by which they would be governed. Do you see any problem with that?

Mr. ZECHMAN. No, sir, I don't see any real problem in that area.

Mr. GOODWIN. In connection with any future changes in regulations,

do you see an opportunity for the carrier and other members of the public to come in and comment on proposed regulations?

Mr. ZECHMAN. The existing statutes require that the private sector comment.

Mr. GOODWIN. Turning to the nonappropriated funds, why do you feel so much concern about the proposed provision for the nonappropriated fund activities to make an annual report? Isn't this being done now, at least to their own agencies?

Mr. ZECHMAN. There is no reporting to the GAO.

Mr. GOODWIN. Would there be any problem to amplify it as GAO might require?

Mr. ZECHMAN. No; but we prefer to do it on an as-needed basis. This is setting up another reporting mechanism. It is escalation of more paper. It may be a different format. If the information we have in-house is not adequate, we would improve it.

Chairman HOLIFIELD. The GAO is an expert in the field of prescribing standards for uniform accounting, and it is mandated by law to do so. Why don't you concede to them their expertise as you do in activities assigned to you?

Mr. LORDAN. Among the types of activities in nonappropriated funds, you have some small ones such as canteens, restaurants, vending machines, welfare activities of relatively small installations, and we believe these installations through their routine reporting to the concerned Federal agency already provide adequate information for the purpose prescribed in the bill. The bill says that the annual report would be required "to aid * * * in planning audits and reviews."

We believe that there already may be more than enough information for that necessary planning. The concerned executive agencies make audits of their own of nonappropriated funds and apparently have adequate information to plan those audits and reviews. We would hesitate to support legislation that would specifically mandate a legislative report to an outside agency where that may not be necessary. It might be a burden on some of the small nonappropriated activities. We would like to think we could work better in a cooperative spirit with the nonappropriated funds and with the concerned Federal executive agencies to plan audits and reviews.

Mr. GOODWIN. It isn't mandatory; it authorizes GAO to request these kinds of reports.

Mr. LORDAN. Let me examine that provision, sir.

I think the time and the form perhaps is permissive, but the language would suggest that an annual report nonetheless would be required.

Mr. GOODWIN. As he shall require, it is up to the Comptroller General to exercise his judgment.

Mr. LORDAN. I thought his judgment would be with regard to the form and time rather than with regard to the annual provision of a report itself.

Mr. GOODWIN. Thank you.

Chairman HOLIFIELD. Thank you, gentlemen, for your testimony.

Mr. FRIEDLANDER. Thank you, sir.

Chairman HOLIFIELD. We would like to have Mr. Heber Paul Wiemer and Col. William H. Anthony testify.

Sorry to delay your lunch, but I have delayed mine, too.

You may go ahead, sir.

**STATEMENT OF COL. WILLIAM H. ANTHONY, STAFF JUDGE
ADVOCATE, AIR FORCE ACCOUNTING AND FINANCE CENTER;
ACCOMPANIED BY HEBER PAUL WIEMER, SYSTEMS ACCOUNT-
ANT WITH THE DEPUTY ASSISTANT COMPTROLLER OF THE
AIR FORCE FOR ACCOUNTING AND FINANCE**

Colonel ANTHONY. Mr. Chairman, members of the committee, I am the Staff Judge Advocate at the Air Force Accounting and Finance Center. With me is Mr. Heber P. Wiemer, systems accountant with the Deputy Assistant Comptroller of the Air Force for Accounting and Finance. We appreciate the opportunity to appear before you today to discuss title III, H.R. 12113, 93d Congress.

Title III, H.R. 12113, would provide specific authority for the Comptroller General to review the systems of accounting, the internal controls and any internal or independent audits or reviews of non-appropriated funds and related activities within the executive branch. This would include, but not necessarily be limited to, the Army and Air Force Exchange Service, the Navy exchanges and the Marine Corps exchanges.

These reviews would be conducted in accordance with rules and regulations prescribed by the Comptroller General. This title also provides that the Comptroller General and his representatives will have unlimited access to the books, accounts, records, documents, reports, files and other papers, things or property relating to the nonappropriated funds and activities.

In addition to the audit authority, title III would require each non-appropriated fund activity to furnish to the Comptroller General, at such times and in such forms as he may require, an annual report of the operations of such activity, including an annual statement of financial operations, financial condition and cash flow.

It is Department of Defense policy that nonappropriated fund activities will be administered according to sound financial management practices and operated in an economical, efficient and business-like manner which will insure solvency and financial stability at all times.

Under this policy, all nonappropriated fund activities are subject to audit by the military department concerned or, under the civilian audit program instituted in 1971, by certified public accounting firms. As required, corrective action is taken during the process or upon completion of the audit. In addition, followup is conducted to assure that any deficiencies are corrected on a permanent basis.

The Department of Defense also has established a nonappropriated fund management study group, consisting of representatives from each military department, to determine what controls are necessary, to develop policy guidelines, and to implement approved controls to assure the integrity of nonappropriated fund activities.

We believe that the actions taken and the procedures established will provide necessary safeguards and controls to assure that nonappropriated fund activities are adequately and properly maintained and operated on a continuing basis. Therefore, we consider that enactment of legislation to specifically authorize the Comptroller General to audit nonappropriated fund activities is unnecessary. However, the Department of Defense would not object to enactment of such legislation.

We do strongly recommend against enactment of the second provision of title III, H.R. 12113, which would require that each nonappropriated fund activity submit to the Comptroller General annual reports of their operations, including statements of financial conditions and cash flow. Enactment of this provision could lead to the preparation and submission of hundreds of reports which would serve no useful purpose.

It has been a pleasure to appear before this committee today. Mr. Wiemer and I will be happy to answer any questions you may have.

Chairman HOLIFIELD. Does Mr. Wiemer have a statement?

Mr. WIEMER. No, sir.

Chairman HOLIFIELD. Let us go back to the second paragraph there, before the end, where you say that "Enactment of this provision could lead to the preparation and submission of hundreds of reports which would serve no useful purpose." And the previous sentence referred to, "general conditions and cash flow."

Don't you do that anyway?

Mr. WIEMER. Do we submit them to the General Accounting Office?

Chairman HOLIFIELD. No; don't you prepare them for your own use?

Mr. WIEMER. Yes, sir, we do.

Chairman HOLIFIELD. Why would it be burdensome for you to submit copies of them to the Comptroller General?

Mr. WIEMER. We are in a position to provide him with copies of the reports that we now prepare, sir. If he received these reports on a routine basis, they would be quite voluminous, as you can well imagine, from all the services.

Chairman HOLIFIELD. Don't you have an annual recapitulation of your financial statement or inventory or cash flow, so that you would have them readily available in an annual statement?

Mr. WIEMER. The services are gearing up to it.

Chairman HOLIFIELD. I don't see how you can run a business unless you have that. That is what these exchanges are. I can't understand how you would know what you are doing or what you have done.

Mr. WIEMER. We receive formal and detailed reports from all of the exchange services. They are prepared at least once each year and may be prepared several times during the year. However, the services have not required that reports from some of the smaller activities, such as clubs and messes, recreation, and miscellaneous activities be forwarded to component headquarters. The Air Force now does receive, on a monthly basis, the financial statements of all their activities. The other services also are gearing up similarly. This has not always been done.

Chairman HOLIFIELD. I know that. There have been some scandals, too, in the operation of your post exchanges and other operations, Mr. Wiemer.

Mr. WIEMER. Yes, sir, that was the primary reason why the Department of Defense nonappropriated fund management study group was established several years ago. Our objective was to review this entire matter on the DOD level and then prescribe standard procedures and controls which would govern all of the services and all of the activities.

Chairman HOLIFIELD. How long ago was that, did you say?

Mr. WIEMER. That was in 1971.

Chairman HOLIFIELD. Have they made any recommendations?

Mr. WIEMER. Yes, sir. We have drafted a number of what we call Department of Defense instructions. One on private organizations has been published. A number of others are in the review and approval process at the present time. For example, the proposed DOD instructions governing the financial management of these activities is progressing very well. It will contain detailed financial reporting requirements.

Chairman HOLIFIELD. It seems that the Defense Department has been lax in its approach to controlling these funds, and in view of the fact that they are operated on military property in many instances, and also operated for the convenience of the military and the dependents of the military, it seems to me that you should have done this a long time ago.

Maybe you need a little pushing by the Comptroller General. Maybe he will let in a little sunshine on this operation. I doubt if you could put in the one-armed bandits which used to be in some of your exchanges overseas.

Mr. WIEMER. The Army and the Air Force have discontinued those entirely.

Chairman HOLIFIELD. Overseas?

Mr. WIEMER. Yes.

Chairman HOLIFIELD. What do the boys do for amusement? You needn't answer that question.

Mr. GOODWIN. I take it you are not in a position to answer questions with respect to any other aspects of these bills apart from non-appropriated funds?

Colonel ANTHONY. No; we are not prepared to go to any other title.

Mr. GOODWIN. If we have questions we can put them in writing?

Colonel ANTHONY. We would like an opportunity to submit them for the record.

Mr. GOODWIN. If it was made clear in this provision that the Comptroller General could exercise judgment as to how far down he wanted to go in terms of one-man operations and two-man operations, or **major operations** required to submit annual reports, would that make the burden tolerable and acceptable to the Department of Defense?

Mr. WIEMER. Sir, I would like to answer that question this way: The normal procedure for appropriated fund reporting is that the various agencies prepare their standard reports. They do this rather routinely. As the General Accounting Office needs certain of those reports in preparing or conducting their audits, they then request them. This is a specific request. We would recommend that if this legislation is passed, and the GAO gets more deeply into the review of nonappropriated funds, that we proceed in the same manner; that is, that we provide reports in our standard formats when requested by GAO. After review, if the GAO finds these statements are inadequate, we then would provide additional data. In this way, we could avoid duplication of reports.

It might be of interest to know that the Air Force has requested the American Institute of Certified Public Accountants to review the Air Force nonappropriated fund accounting, reporting, and audit-

ing procedures. This is now in process. The AICPA has assembled a task force of representatives from both large and small CPA firms to the task force. They have reviewed the Air Force procedures and are preparing to report on those in the next several weeks.

Our goal is for Air Force systems to follow generally accepted accounting principles and practices. Our reports format will be consistent with commercial formats and will be acceptable to the AICPA.

Mr. GOODWIN. Don't you think you would have an opportunity to work out these particulars with the GAO under this bill? You don't suppose that GAO would just lay down requirements without consulting the agencies about the form and what kind of information it wanted covered.

Mr. WIEMER. I expect they would come to us, but we prefer to see the legislation so written that it would not automatically provide for unique or for special report formats. We would rather have the legislation somewhat general, permitting us to provide our standard reports. If that is not adequate, we would provide additional data as required.

Mr. GOODWIN. I am inclined to agree with your general statement that these nonappropriated fund activities should be handled along the same lines as appropriated fund activities, but there is this kind of provision for giving the GAO the information it wants in connection with the appropriated fund activities.

Mr. WIEMER. Yes; we have no objection to providing GAO the information it needs. We merely are seeking to avoid a duplication of reporting—because it is too time consuming and expensive.

Mr. ROBACK. Your statement refers to unlimited access by the Comptroller General to books and records relating to nonappropriated fund activities. The bill refers to access. By using the words, "unlimited access," are you making a complaint that it is too broad?

Colonel ANTHONY. By no means.

Mr. ROBACK. Do you construe the language as including the books and records of contractors?

Colonel ANTHONY. That is not correct, no, sir.

Mr. BUHLER. It is just in the books and records of the activity?

Colonel ANTHONY. Yes.

Mr. ROBACK. The Comptroller General has access to books and records of contractors, with certain qualifications, in appropriated fund activities; are you aware of that?

Colonel ANTHONY. Yes.

Mr. ROBACK. If in this bill or by law we give the Comptroller General authority over nonappropriated funds, does he get access to books and records of the contractors supplying nonappropriated fund activities?

Colonel ANTHONY. I believe that would be correct.

Mr. ROBACK. Would you have Air Force counsel review that question and submit a comment?

Colonel ANTHONY. Yes.

[The information follows:]

Title III is limited to GAO audit or review of records of nonappropriated funds and related activities within the executive branch. It does not specifically authorize the audit and review of records of contractors of nonappropriated funds and related activities. In the absence of a provision, similar to 10 U.S.C. 2313 relat-

ing to audit of records of contractors performing cost or cost-plus-a-fixed-fee contract, this Title would not permit GAO or the military departments to audit the "books and records of contractors of nonappropriated fund activities."

Mr. GOODWIN. What would be your position with respect to whether the legislation should or shouldn't go so far as to authorize the Comptroller General to have access to the books and records of your nonappropriated fund activity contractors?

Colonel ANTHONY. I see no objection to that, Mr. Goodwin. We can see where this could become sort of an intermediate thing, though.

Mr. ROBACK. You have that included in the statement. We ought to have that clarified one way or another.

Colonel ANTHONY. Let us provide that for the record.

[The information follows:]

Under current regulations, the Air Force includes a clause in virtually all nonappropriated fund negotiated contracts of \$2500 or more providing that the contracting officer or his duly authorized representative will have the right to audit the contractor's records. Under this clause, GAO could be authorized to audit records of these contractors. However, the Air Force recommends against enactment of legislation which would establish a statutory requirement that such a clause be included in all contracts or that such an audit be performed. A large portion of contracts entered into by nonappropriated fund activities are relatively small and are with small business firms at the local level. Enactment of a statutory provision requiring or authorizing an audit of the records would serve to discourage these small firms from entering into contracts with nonappropriated fund activities and could increase the cost of goods and services provided in anticipation of additional administrative costs. Such a provision would reduce the flexibility of the current nonappropriated fund activity procurement processes which must remain competitive and immediately responsive to business conditions at the local level.

Chairman HOLIFIELD. Thank you, gentlemen.

The meeting is adjourned.

[Additional information submitted for the record follows:]

SUBJECT: TITLE II, H.R. 12113, TRANSFER OF AUDIT OF TRANSPORTATION PAYMENTS

In reporting on Title VIII, H.R. 9091, similar to Title II, H.R. 12113, DOD opposed transfer of responsibility for audit of transportation bills and recovery of overcharges from GAO to one or more agencies designated by OMB. This position was based on a study completed in 1972 which established that transfer of this function as it related to DOD would result in additional costs and personnel for DOD and provide no significant advantage to DOD or to the Government.

In its report on H.R. 12113, OMB stated it had no objection to Title II but urged consideration of Justice Department's report opposing (a) the audit authority being vested in more than one executive agency and (b) the "residual GAO review authority because it would subject internal memoranda and working papers of the audit-performing agency to GAO examination, thereby placing the agency in a disadvantageous position in cases of disagreement and imposing a restraint on staff development of policy and opinions." In testifying before your Subcommittee, the General Services Administration (GSA) stated it supported enactment of Title II and that this function would "complement our Government-wide transportation mission."

In view of the foregoing, the Department of Defense would interpose no objection to the transfer of the primary responsibility for the audit of transportation bills and the recovery of overcharges from carriers from GAO to GSA.

SUBJECT: TITLE II, H.R. 12113

1. This replies to your request for comments on Title II, H.R. 12113, relating to transfer of audit of transportation payments. Recommend the following, which was the position on Title VIII, H.R. 9091, be submitted as the position on Title II, H.R. 12113:

Title II proposes that the responsibility for the audit of transportation bills and the recovery of overcharges from carriers be transferred from GAO to the Executive department or departments designated by the Office of Management and Budget. In 1971, GAO and DOD personnel made a joint study to determine the feasibility and desirability of transferring to DOD responsibility for the audit and settlement of DOD transportation payments then being performed by GAO. This study, completed in March 1972, established:

(a) That the function was then being performed by over 700 GAO professional, technical and clerical personnel, 456 of whom were engaged in auditing and settling DOD payments.

(b) That the total cost (including space and all other resources) incurred in performing audit and settlement functions related to DOD traffic was \$6,154,000, of which 88 percent was attributable to manpower.

(c) That the transfer of this function, insofar as it related to DOD, would require 474 additional DOD personnel. It would result in an overall additional requirement for 106 GAO personnel to review agency claims settlements and perform the audit review and overview functions.

(d) Such a transfer would provide no additional significant traffic management benefits.

In summary, the study concluded there was no overall advantage to DOD or to the Government in the transfer to DOD of the audit and settlement of DOD transportation payments then being performed by GAO. Therefore, it was not considered feasible or desirable to effect such a transfer. It was pointed out, however, that if a computerized system could be developed to provide for the integration of shipping, billing, payment and audit processes, the feasibility and desirability of transferring the audit function should be reexamined. Pending such a re-examination, and in view of the present budgetary limitation, we would oppose enactment of Title II.

2. It is noted that OMB stated it had no objection to this Title but urged consideration of Justice Department's objection to this Title on the basis it would vest audit authority in more than one agency and subject internal memoranda and working papers to GAO examination as well as place the audit agency in a disadvantageous position in cases of disagreement. It is also noted that GSA "enthusiastically" supported provisions of the bill dealing with audit and stated if the audit responsibility in Title II were assigned to GSA, "It would complement our Government-wide transportation mission."

[Whereupon, at 12:40 p.m., the subcommittee adjourned, to reconvene at 10 a.m., Thursday, June 6, 1974.]

BILLS RELATING TO THE GENERAL ACCOUNTING OFFICE

THURSDAY, JUNE 6, 1974

HOUSE OF REPRESENTATIVES,
LEGISLATION AND MILITARY OPERATIONS SUBCOMMITTEE
OF THE COMMITTEE ON GOVERNMENT OPERATIONS,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10:10 a.m. in room 2154, Rayburn House Office Building, Hon. Chet Holifield (chairman of the subcommittee) presiding.

Present: Representatives Chet Holifield, Frank Horton, and John W. Wydler.

Also present: Herbert Roback, staff director; Charles Goodwin, counsel; Michael McGinn, defense analyst; Elmer Henderson, general counsel; and Warren Buhler, minority professional staff, Committee on Government Operations.

Chairman HOLIFIELD. The subcommittee will come to order.

We are continuing our hearings on the Federal Paperwork Burden Relief Act.

The first witness this morning is our colleague, the Honorable Gus Yatron.

Congressman Yatron, you may proceed.

STATEMENT OF HON. GUS YATRON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

Mr. YATRON. Mr. Chairman and members of this distinguished panel, if the American business community and the Federal Government suddenly discovered that some \$36 billion in additional funds became available—an amount larger than the combined budgets of the Departments of Agriculture, Commerce, Interior, Justice, Labor, State, and Housing and Urban Development—it would be an event of historic proportions. The news of it would rate banner headlines in all major newspapers across the country.

That is approximately the amount wasted each year by business and Government to produce, handle, process, and in many cases simply shuffle the paperwork generated by the burgeoning Federal bureaucracy. This places a tremendous drain on the vitality of the private sector and is perhaps the most obvious manifestation of bureaucratic redtape.

Mr. Chairman, it is painfully apparent that this unnecessary burden must be reduced.

We must act now, with decisiveness and determination, to begin the

process of freeing our small businessmen from as much of this redtape as possible.

Today, with this hearing on my Federal Paperwork Burden Relief Act, I feel that we are taking the first significant step toward realizing that goal. I commend you, Mr. Chairman and the members of this distinguished committee, for having the foresight to schedule this inquiry.

Paperwork is a debilitating, costly, and time-consuming burden, and it is becoming more and more onerous every year. This is particularly so for the small business community, which is unable to plug into a computer or to employ the professional help needed to process the growing wave of Government forms. The proliferation of paperwork has also become a millstone around the neck of the Federal Government whose inefficiency already raises the ire of the taxpayers.

And we should bear in mind that it is the American taxpayers who ultimately foot the bill for the lethargic operation of the bureaucracy.

The "Federal Paperwork Burden Relief Act," H.R. 12181, relates directly to the impact of paperwork on small business. It directs the GAO to conduct a study into the nature and extent of the Federal paperwork burden. Under its provisions, the GAO is instructed to report its findings to Congress and recommend appropriate corrective action.

H.R. 12181 has been cosponsored by 162 of our House colleagues, including two members of this panel, Mr. Fascell and Mr. Mallary. It has generated a tremendous degree of interest and attention throughout the country, and it has received extensive favorable media coverage. In addition, it has afforded my colleagues and me an appropriate vehicle to revive the House's historic concern with the paperwork generated by the Federal bureaucracy.

The list of major organizations which have endorsed H.R. 12181 and who have emphasized to me the seriousness of the paperwork burden is evidence of the extent of the problem. For several months, I have been receiving letters from all over the country, from large and small business and from private citizens. These have enabled me to gain even greater insight into the burden being imposed upon the American people by the Federal bureaucracy.

From the Nebraska Television Network came the statement: "You would think that such a paperwork jungle would have been eliminated years ago * * * but that is not the way a bureaucracy works."

The National Association of Broadcasters has endorsed my bill, because it is " * * * designed to help small businessmen dig out from under a mountain of paperwork * * * ."

The American Farm Bureau Federation commented in the same vein that:

Farmers in recent years understand as well as anybody the additional paperwork that is required as a result of various programs * * * . We are certainly enthusiastic about your bill and its attempt to obtain relief from some of the Federal paperwork.

Even Nation's Business, the magazine of the U.S. Chamber of Commerce, remarked that H.R. 12181 offers small businessmen "a glimmer of hope in their constant battle against the unflagging growth of Federal Government paperwork."

But one of the most encouraging endorsements came from a businessman in Phoenix. He wrote:

I am a small businessman, and I have been crying for this for years. To the small businessman, this is especially important because he does not have a separate accounting department to read all of the fine print, and it is not always desirable or easy to turn it over to a CPA or lawyer.

I could recite countless other similar examples for the committee's benefit, but these few serve to give you a feeling for the depth of the public's reaction.

Frankly, Mr. Chairman, one of my primary goals in authoring the "Federal Paperwork Burden Relief Act" was to dramatically underscore the gravity of the problem. It has been on the congressional back burner too long and needs to be subjected to the revealing light of public investigation.

If H.R. 12181, with the help of this distinguished committee, can contribute to making us more aware of this serious problem, my effort will be well rewarded.

It is my understanding that the GAO does not favor enactment of my bill. I certainly understand why the GAO might feel that the comprehensive Federal study called for in H.R. 12181 is not possible at this time. It has many responsibilities and only a relatively small staff to carry them out. But the fact remains that the proliferation of federally generated paperwork is becoming more and more oppressive, threatening to suffocate many of our small business firms.

This cannot continue unchecked.

The GAO's current pilot study of the paperwork generated by the Department of Labor is a step in the right direction. Recently, it briefed me on its efforts to determine the severity of the problem.

Mr. Chairman, I can report today that the problem is of far greater magnitude than anyone had dared imagine. If the Department of Labor is typical of other Federal agencies, the task force before us is long and difficult.

I have brought with me today several volumes of hearings representing the sum of our knowledge of the impact of paperwork on small business. This study has been conducted over a number of years by the Senate Small Business Committee's Subcommittee on Government Regulation, under its able chairman, Senator Thomas McIntyre. Until recently, his has been a lonely crusade, and we owe him our gratitude.

Unfortunately, despite the extensive work done by Senator McIntyre's subcommittee, concrete action has not been forthcoming. In fact, he would be the first to admit that he has only scratched the surface. As a former businessman myself, I wholeheartedly would agree with him. We have only seen the tip of the iceberg.

Mr. Chairman, I am convinced that we must make a positive commitment to deal with the problem any place we find it. We have taken a first step here today, and we must not allow this precious momentum or our efforts to be slowed.

I fully realize that the workload of this committee is heavy, but I am sure you will agree that the paperwork problem needs your attention.

Therefore, I respectfully suggest that you, Mr. Chairman, consider appointing an ad hoc committee on paperwork, to keep the momentum established here today going.

Mr. Chairman, before concluding my testimony, I would like to comment briefly on another piece of legislation I have introduced to deal with this problem—H.R. 14151.

Under the Federal Reports Act of 1942, the Office of Management and Budget (OMB) is charged with the responsibility of monitoring the proliferation of Federal paperwork. However, this well-intended law has not done the job.

The OMB is not adequately administering the Federal Reports Act. It has simply not taken the initiative in actively pursuing its responsibilities under the law.

To make matters worse, the Internal Revenue Service, which is the greatest source of Federal paperwork, is responsible to no one. It does not come under the 1942 statute and does not account to OMB.

These problems surfaced during Senator McIntyre's investigations, and he subsequently introduced legislation to correct them—S. 1812. My bill, H.R. 14151, to transfer authority to administer the 1942 law from OMB to the Comptroller General of the United States and to bring IRS under GAO's jurisdiction, is identical to S. 1812 and has been referred to this committee for consideration.

Clearly, OMB has not performed adequately. We admitted as much during the last session, when we amended the Alaskan pipeline bill to transfer OMB's authority over the regulatory agencies to GAO. H.R. 14151 is the next logical step. At present, authority under the Federal Reports Act is fragmented. Its consolidation into GAO would bring more effective enforcement and would do much to restore the faith of the small business community in Congress' determination to find a viable solution to this problem.

I am confident, Mr. Chairman, that from this proceeding will emerge meaningful and decisive action, so that the American businessman may look forward to more effective and successful participation in the marketplace.

That concludes my official testimony, Mr. Chairman, but I would like to add some brief conclusive remarks and a note of thanks.

Mr. Chairman and members of this committee, the American small businessman has fallen victim to the ever-increasing Federal bureaucracy. He is being smothered under an avalanche of paperwork which is time consuming and extremely expensive. The businessman is searching for a way to cut through this redtape, which costs him and the Federal Government a staggering \$36 billion each year. By participating in today's proceedings, I am confident that we are sending a message to the American business community. The Congress is aware of the Federal paperwork burden, and the Congress is going to continue the momentum now set in motion in seeking relief and in realizing a lessening of that burden.

At this time I would like to offer a special note of appreciation to the National Federation of Independent Businessmen and its 380,000-strong membership which has worked with me and continues to work with me in the paperwork area. The NFIB is an effective voice for the small businessman, and I look forward to our continued association.

To the 162 Members of the House who have joined me in sponsoring the Federal Paperwork Burden Relief Act, my genuine thanks for making this concerted effort to deal with the problem.

And thank you, Mr. Chairman and the members of this committee, for affording this excellent opportunity to vocalize our interest in and concern over the Federal paperwork burden.

And to the many persons and organizations who have indicated their support for our paperwork legislation, and for our efforts here in the House, I extend my appreciation and my assurance of continued involvement.

Thank you very much.

[Attachments to the statement follow :]

THE "FEDERAL PAPERWORK BURDEN RELIEF ACT" (HR 12181)

(CO-SPONSORS)

Abdnor	Ginn	Pike
Anderson (Cal)	Goodling	Powell
Anderson (Ill)	Grasso	Preyer
Archer	Green	Rarick
Ashley	Gude	Riegle
Bafalis	Gunter	Rinaldo
Baker	Hamilton	Rodino
Bauman	Hammerschmidt	Roe
Beard	Hanley	Rogers
Bell	Hansen (Id)	Roncallo
Bevill	Harrington	Rooney
Blester	Heckler	Rose
Bingham	Henderson	Rouse
Boland	Heinz	Roy
Bowen	Helstoski	Sarasin
Bray	Hicks	Sarbanes
Brinkley	Hillis	Scherle
Brown (Cal)	Holt	Seberlius
Buchanan	Huber	Shoup
Burke (Fla)	Hudnut	Shriver
Butler	Hungate	Shuster
Carney	Ichord	Sikes
Carter	Jarmon	Stark
Cederberg	Jones (NC)	Steed
Chappell	Jones (OK)	Steelman
Clausen	Kemp	Steiger (Wis)
Cleveland	Kyros	Stokes
Cohen	Lagomarsino	Stratton
Collins (Tex)	Lehman	Stuckey
Collier	Litton	Studds
Conlan	Long (Md)	Symms
Cronin	Lott	Thomson
Culver	Mallory	Thone
D. Daniel	Mann	Towell
R. Daniel	Martin (NC)	Treen
Danielson	Mathis	Ullman
Davis	Mazzoli	Vander Jagt
Dellenback	McCormack	Veysey
Denholm	McEwen	Waggonner
Dent	McKey	Waldie
Derwinski	Melcher	Walsh
Dickinson	Mezvinsky	Ware
Duncan	Michel	White
Edwards (Ala)	Miller (Ohio)	Whitehurst
Ellberg	Moakley	Wilson (Tex)
Eshe	Mollohan	Winn
Eshleman	Montgomery	Wolff
Fascell	Morgan	Wright
Flynt	Murphy (Ill)	Young (Alas)
Foley	Murphy (NY)	Young (Ga)
Ford	Murtha	Young (Ill)
Frenzel	Nichols	Young (SC)
Froehlich	Obey	Zwach
Gaydos	Owens	
Gettys	Parris	

Congressman Gus Yatron (D-Pa) Author and Chief Sponsor.

[From the Nebraska Television Network, Apr. 19, 1974]

EDITORIAL

Are you a small businessman or farmer buried under the mountain of paperwork required by federal regulations? I am too and I have found a friend. He is Pennsylvania Congressman Gus Yatron, a Democrat. Good old Gus has introduced a bill in the U.S. House of Representatives that promises to help us dig out from under all those government forms. According to him and the other 160 Congressmen that support his bill, various federal agencies require 10 billion sheets of paper for unnecessary and duplicated reports from small business alone. Filling these forms out costs small businessmen about \$18 billion every year. These costs increase each year at a rate of about 20% too. You would think that such a paperwork jungle would have been eliminated years ago . . . but that is not the way a bureaucracy works. Congressman Yatron and his cohorts have created the "Federal Paperwork Burden Relief Act", HR 12181, that calls for the General Accounting Office to recommend how to eliminate this paperwork which serves no useful purpose. I like the idea and if it sounds good to you, I suggest you write to your congressman . . . or to the Chairman of the House Government Operations Committee in Washington, and urge that hearings be held on HR 12181. The last thing a small businessman or farmer needs is a big load of paperwork . . . it wastes both your time and your money.

[From the Pottsville Republican, April 1974]

YATRON'S TARGET—\$18 BILLION IN USELESS PAPERWORK

(By Niel Heard, National Federation of Independent Business, Inc.)

There is a Biblical injunction against removing the mote from your neighbor's eye before first casting the beam out of your own eye.

Currently the Federal government strongly urges the public to save energy, yet the admonition appears to be unheeded in the labyrinths of Federal bureaucracy.

Congressman Gus Yatron of Pennsylvania has before the Congress legislation, co-sponsored by 155 of his colleagues, that would attack this paperwork jungle. His legislation, strongly supported by the National Federation of Independent Business, would require the General Accounting Office to submit to Congress a report on this required filing of forms, and recommendations on how to eliminate the paperwork which serves no useful purpose.

But it now seems, in the light of the energy shortage, that some action should be taken on Representative Yatron's bill. After all, 10 billion sheets of paper, even of the most modest quality, represents some 200,000 tons of paper which does use up a lot of forests and a prodigious amount of energy in some form.

NATIONAL FEDERATION OF INDEPENDENT BUSINESS "MANDATE"

Your Federation is working closely with Rep. Gus Yatron (Pa.) on a bill which would instruct General Accounting Office to study federal paperwork burdens on small business and to report within one year how these may be lessened. Close liaison has been established. There's hope for helpful accomplishment to assist independents.

[From Nation's Business, March 1974]

Small businesses can see a glimmer of hope in their constant battle against the unflagging growth of federal government paperwork.

Rep. Gus Yatron (D.-Pa.), himself formerly a small businessman (ice cream), has introduced a bill that would have the General Accounting Office "study the nature and extent of the federal reporting requirements."

Called the "Federal Paperwork Burden Relief Act," it would direct GAO to

make recommendations to Congress for administrative actions and legislative enactments "deemed appropriate and necessary."

It's estimated that it cost small businessmen \$18 billion to handle some 10 billion sheets of paper involved in completing required federal reports in 1972. Sen. Henry M. Jackson (D.-Wash.) has introduced companion legislation in the Senate.

[From the Public Utilities Fortnightly, March 1974]

YATRON INTRODUCES "FEDERAL PAPER WORK RELIEF ACT"

U.S. Congressman Gus Yatron (Democrat, Pennsylvania) has written and introduced legislation in the House of Representatives which seeks to determine the nature and extent of the federal paper work burden and reporting requirements throughout the entire federal structure. The measure is important, for it will not only affect millions of small businessmen and self-employed individuals, but will ultimately relate to the reporting requirements upon public utilities.

The legislation, entitled the "Federal Paper Work Burden Relief Act," directs the General Accounting Office to conduct a study into the exact extent and nature of federal reporting requirements and recommend to the Congress appropriate legislative action to lessen that burden.

MOTOR VEHICLE MANUFACTURERS ASSOCIATION
OF THE UNITED STATES, INC.,
Detroit, Mich.

DEAR MR. YATRON: I am pleased to learn of the legislation you have recently introduced, directing the Comptroller General to undertake a study of the paperwork burden, and reporting requirements imposed upon industry and business by the Federal government. Such a comprehensive study is needed.

HR 12181, the "Federal Paperwork Burden Relief Act," will bring to the attention of Congress and the Executive branch the volume of reporting requirements with which businesses comply daily.

The Motor Vehicle Manufacturers Association fully endorses your proposal and encourages its swift passage through both Houses of Congress. We are therefore sending a copy of this letter to Congressman Chet Holifield, Chairman, Committee on Government Operations, to which your bill has been referred.

NATIONAL ASSOCIATION OF MANUFACTURERS.

DEAR CONGRESSMAN YATRON: I am most pleased to be able to tell you of our support for the Federal Paperwork Relief Act, H.R. 12381. As a member of the Business Advisory Council on Federal Reports since its inception, the NAM has been in the forefront of efforts to ease the federal paperwork burden on all business, particularly small business. As you know, more than 50 percent of NAM's membership is small business.

We are gratified to see the renewed interest in this important subject on the part of the Congress, particularly as evidenced by the larger number of co-sponsors of your legislation.

NATIONAL ASSOCIATION OF BROADCASTERS,
Washington, D.C.

DEAR CONGRESSMAN YATRON: We thought you would be pleased to receive a copy of our weekly publication, "Highlights", which on page two reports the endorsement of NAB for your Federal Paperwork Burden bill.

GENERAL ELECTRIC,
Schenectady, N.Y.

DEAR MR. YATRON: Could you please send me a copy of your bill, the "Federal Paperwork Burden Relief Act"? Most businessmen will certainly welcome such legislation and I would like to understand your proposal and follow its progress.

I read with pleasure in "Nation's Business", March 1974, that you are under-

taking an effort to reduce the amount of paperwork for the small businessman. I am a small businessman, and I have been crying for this for years. To the small businessman, this is especially important because he does not have a separate accounting department to read all of the fine print and it is not always desirable or easy to turn it over to a CPA or lawyer.

KMAN,
Butler, Mo.

DEAR REPRESENTATIVE YATRON: This is to encourage you, and to thank you for introducing H.R. 12181, to help get all small businesses out of some of the burdensome paperwork we have to endure.

I don't know what your bill entails, but it must be good, because I know of the problems on this end.

B. D. THORNTON,
President, General Manager.

[From the Washington Post]

PAPERWORK AND RED TAPE

Legislation which I have authored and introduced seeks to lessen the increasing federal paperwork burden imposed on American business, both large and small. The "Federal Paperwork Burden Relief Act" has thus far been cosponsored by over 130 of my House colleagues. A similar proposal will be introduced in the other body by Senator Henry Jackson.

The bill, very simply, directs the General Accounting Office to conduct a study into the nature and extent of federal reporting requirements under a number of programs and regulatory agencies. The GAO is to report its findings to Congress in the form of recommendations for administrative actions and legislative enactments deemed appropriate. Congress will then be armed with these recommendations and can begin to cut away the red tape.

The importance of the "Federal Paperwork Burden Relief Act" is reflected in the fact that the entire American business sector will derive benefit from its enactment, although it is aimed primarily at the smaller businessman who is less able to assume the cost and time-consuming factors involved in complying with the completion of myriad papers and forms.

DEAR CONGRESSMAN YATRON: I read recently you had a bill to reduce the waste of forms, copies, and papers that each of us faces as a way of being "governed." For physicians, too, a good deal of effort and energy is lost in pointless recording.

Could you possibly get me a copy of your bill? I'd like to read it and maybe encourage a little wider support.

Thank you,

KENT D. BERGH, MD.

ALCLAY BUSINESS FORMS, INC.

DEAR CONGRESSMAN YATRON: I want you to know how very pleased I am to hear that you are sponsoring legislation to ease the paper work burden imposed on small business by the reporting requirements of the various branches of the federal government.

This kind of action has long been needed and I wish you the very best of luck in your efforts to obtain passage.

Sincerely,

GERALD G. ALEX, President.

AMERICAN PHARMACEUTICAL ASSOCIATION.

DEAR MR. HOLIFIELD: The American Pharmaceutical Association, the national professional society of pharmacists, has endorsed H.R. 12181 introduced by Congressman Yatron with 162 co-sponsors.

The rapid expansion of third party payment pharmaceutical service programs, both government and private, has made the pharmacist keenly aware of the additional burdens attributable to increased paperwork and costs which must ultimately be passed on to the public. We urge that the Committee on Government Operations initiate hearings on H.R. 12181 so that the House can obtain a current appraisal of the need for this legislation. If such hearings are held, APhA would be pleased to present the pharmacist's view of the problem.

RESOLUTION

We, the Board of Directors of the Chamber of Commerce of Reading and Berks County, representing over 1200 members, most of whom are business and professional men, endorse the proposed legislation by our Congressman Gus Yatron which may be cited as the "Federal Paperwork Burden Relief Act".

NATIONAL ASSOCIATION OF INSURANCE BROKERS

PAPER, PAPER, PAPER . . . PAPER?

Help may be in sight. . . The Federal Paperwork Burden Relief Act (H.R. 12181) has been introduced by Rep. Gus Yatron (D-Pa.) and 150 cosponsors, and probably will be dropped in the Senate hopper soon.

According to the American Farm Bureau Federation:

"Certainly, farmers in recent years understand as well as anybody the additional paperwork that is required as a result of various programs in the Federal Government. We are certainly enthusiastic about your bill and its attempt to obtain relief from some of this Federal paperwork."

AMERICAN APPAREL MANUFACTURERS ASSOCIATION, INC.

DEAR MR. YATRON: At the Board meeting of the AAMA last week, it was unanimously decided to support your "Federal Paper Work Burden Relief Act". This is the type of thing we need.

BERKS COUNTY MEDICAL SOCIETY,
429 Walnut St., Reading, Pa.

It is pleasing to tell you that our council members voted unanimously to support your effort and to give our official endorsement to this legislation.

CITY OF CARMEL-BY-THE-SEA,
Carmel, Calif.

Enclosed is a copy of an editorial in a recent issue of our local newspaper. Anyone who deals with governmental red tape will appreciate your efforts.

THE NATIONAL INDEPENDENT MEAT PACKERS ASSOCIATION

The presently overwhelming task of filing forms and reports will be greatly lessened with the passage of your bill.

SARASOTA BROADCASTING COMPANY

I was very happy to read about your efforts to help small businessmen dig out from the mountain of paperwork required by federal regulations.

[From the Congressional Record, Apr. 23, 1974]

FEDERAL PAPERWORK: THE MOST ONEROUS REPORTING REQUIREMENT—IRS FORM 941

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Pennsylvania (Mr. YATRON) is recognized for 5 minutes.

Mr. YATRON. Mr. Speaker, today, I am joining with my very distinguished colleague from Oregon, Congressman AL ULLMAN, ranking majority member of the Ways and Means Committee, in sponsoring legislation aimed at relieving the single most onerous Federal reporting requirement: the quarterly wage report for social security purposes. Our Senate colleague, Senator THOMAS MCINTYRE, has sponsored this piece of legislation in the other body, and its prospects for implementation in this 93d Congress are distinct.

Under the provisions of this measure, the reporting of wages by employers would be consolidated and the quarterly IRS Form 941, which causes businessmen to cringe, would be changed to an annual system. The existing IRS Form W2 would be used, thus relieving a major aspect of the Federal paperwork burden. The National Federation of Independent Business and its 371,000-strong membership is strongly behind this legislation, and I know that its enactment would be met with genuine gratitude by the entire American business sector.

The proposal which AL ULLMAN and I are sponsoring today in the House would accomplish this significant change through a series of some 40 highly technical amendments to the present Social Security Act and to the Internal Revenue Code of 1954, as amended. IRS Form 941 represents the most difficult and costly paperwork burden imposed on small business. It falls most heavily on small and medium-sized businesses and costs employers \$235 million each year in clerical and accounting costs alone.

The National Federation of Independent Business has singled out this particular form and it has consistently sought relief in behalf of the small businessman, whose overhead costs will be significantly reduced if this form were changed from a quarterly to an annual report.

According to a survey by the Federal Small Business Administration, 8 out of every 10 respondents favored eliminating Form 941 and using Form W2 to obtain data for social security purposes. Their expenses, it was clearly determined, would be substantially reduced. Not only would the business community derive benefits and savings from implementation of this legislation, but also the Federal Government, which processes approximately 175 million reports of wage payments each year. The General Accounting Office calculates that the processing of paperwork costs the Government over \$15 billion a year. That figure accounted for some 6 percent of Federal expenditures in fiscal 1973. And, it now costs \$7 billion more per year to process Federal paperwork than it did 6 years ago—\$11 billion more per year than paperwork costs back in 1955. These figures clearly underscore the magnitude of the alarming proportions that the paperwork burden has reached.

Several major advantages of the changeover from a quarterly wage report to a yearly system were illustrated in a report of the President's Advisory Council on Management Improvement, as follows:

1. Data processing systems have made tremendous strides since the initial proposal that a single reporting system is not only technically feasible but also administratively adequate.
2. The objections raised in the past are no longer of sufficient weight to continue the now obsolescent system.
3. The annual reduction in the number of reports submitted by business is estimated at approximately 18 million, with a savings in excess of 200 million dollars. Savings to the Federal Government would be reflected in a reduction in operating costs and increased compliance income, but accurate estimates of dollar savings will have to wait on the development of the system.

Mr. Speaker, the legislation which Congressman ULLMAN and I are jointly sponsoring today is going to be met with an extremely favorable response by every businessman, whether he represents a large or small operation, although it will be of particular benefit to the smaller establishment.

Its passage will be a major attack against the Federal paperwork burden and is part of my current effort here in the House to achieve constructive progress in lessening that burden, to the greatest possible extent.

Chairman HOLIFIELD. You are certainly welcome.

We appreciate your testimony here this morning and the comments you have made.

We are aware, of course, of the increasing paperwork. But the complexity of our society is one of the reasons for it. And the actions on the part of the Congress are another reason for it.

This bill requires the Comptroller General to conduct a study of the reporting requirements of Federal regulatory programs. I would like to ask you this question. How do you differentiate between the programs of independent regulatory agencies and those of the executive departments?

Mr. YATRON. GAO is the logical and only body to monitor and study the paperwork burden. The Office of Management and Budget, an arm of the executive, cannot provide the necessary checks and balances with respect to the proliferation of paperwork. We cannot expect it to effectively police itself, and we can see that OMB has failed entirely in its responsibilities under the Federal Reports Act of 1942.

That is why H.R. 12181 is so essential, because it would bring the IRS, the most guilty paperwork villain of them all, under the GAO. And, it would transfer OMB's authority under the 1942 act to the GAO, which I feel would far more effectively be in a position to successfully monitor proliferating paperwork.

Because the GAO does not have the authority to actually reject unnecessary and wasteful forms and papers, H.R. 12181 would extend specific authority to the agency in this regard and would give its ability to deal with the paperwork problem much more clout.

Chairman HOLIFIELD. The Federal regulatory agencies, the FPC, the FTC, and those agencies, are not directed by the GAO, if I understood you.

Mr. YATRON. The GAO does not have the specific authority to reject wasteful and duplicative forms, which renders some of its authority under the pipeline amendment less meaningful. GAO should be given broader and stronger authority in this area.

Chairman HOLIFIELD. That is a different thing. That was a special amendment that was put on the Alaskan pipeline bill. And of course, the very fact that the Congress put it on increased the work of the GAO, and also increased the paperwork.

You see, this is the point I am making. The Comptroller General already has the authority under the Alaskan pipeline amendment to the Federal Reports Act to pass on the actions of the independent regulatory agencies.

Now, are you directing your bill, then, to the executive agencies at the Cabinet level as distinguished from the regulatory agencies in the Government?

Mr. YATRON. Yes, Mr. Chairman. Again I refer more to H.R. 14151, at this point, than to H.R. 12181, because the OMB cannot effectively police itself as an arm of the executive. Yes; my bill does address itself to the executive "line agencies" or departments, as opposed to the regulatory agencies under the pipeline amendment, which GAO now has.

I feel that GAO also should have the authority over paperwork with respect to the actual executive departments—Labor, Commerce,

and so on. And, of course, the IRS, who accounts to no one with respect to information gathering and paperwork.

Chairman HOLIFIELD. Do you feel that the review of agencies' forms is properly a function of the executive branch?

Mr. YATRON. I don't think it is, no.

Chairman HOLIFIELD. Do you agree with the Comptroller General? He stated that he was opposed to legislation such as the Alaskan pipeline amendment which would place functions of an administrative nature in the GAO. I would like to ask you this: How in your view can Congress reconcile the continued demand for information upon which to base decisions with the purpose of your bill to reduce the paperwork burden? For example, last year when the energy crisis hit us with full force, the first reaction of many Congressmen and our constituents was: What are the facts? How much fuel do we have? Where does it come from? What is our consumption? We learned very quickly that the information available to the Government to answer these questions was inadequate. Therefore, we had to start sending out forms to get this information. This meant more paperwork in order to get the answers which Congress and the executive branch did not have.

So you see, we have conflicting objectives here. We in the Congress ask for information. The way the agencies get information is to send out forms which have to be filled in. If we don't ask for information, then there are that many less forms. There are forms that are now in existence that are not needed. There is no doubt that some of them may be obsolete.

We had testimony by the Comptroller General on obsolete reports yesterday. We are trying to eliminate some of them. The forms in the agencies do not necessarily originate by themselves. They are initiated generally by legislation that Congress passes.

Mr. YATRON. You've made an excellent and very important point, Mr. Chairman, because the Congress is also guilty in many respects for the continued demand for information and paperwork completion, through various programs enacted by us and administered by the regulatory and executive agencies.

Here again, I have sponsored still another piece of legislation, H.R. 14152, to deal with this specific problem of paperwork resulting from programs approved by Congress. However, this proposal is pending before the Rules Committee.

Nevertheless, what it addresses itself to is the political paperwork resulting from legislation passed by Congress. It is identical to S. 200, sponsored in the Senate by Senator McIntyre. Basically, it requires that new forms and reports, and revisions of existing forms, resulting from legislation be contained in reports of committees reporting the legislation. In this way, we can strike at the core of paperwork created by congressional legislation.

I realize that we are never going to completely eliminate the need for forms and information, but this measure would be helpful in weeding out as much potential paperwork as possible.

Our primary aim is to substantially reduce as much paperwork as possible.

Chairman HOLIFIELD. We can all subscribe to that objective.

Mr. YATRON. And I feel that the GAO would be in a position to perhaps study the problem before it goes into effect, to eliminate some of the paperwork. We in the Congress as well as the people back home talk about giving away our powers to the executive. I think since the GAO is an investigative branch, and it is an arm of the Congress, we would be getting back what we perhaps originally had given away.

Chairman HOLIFIELD. But there are two points on that. One is that if we ask the GAO to do it in place of an agency, that also generates paperwork. Practically every bill that we pass for any purpose in the Congress has a clause in it which states that the administrator of the agency or department is authorized to formulate rules and regulations which he considers necessary to the proper functions of the act, the proper implementation of the act. Now, that is almost boilerplate that goes into every bill, and it gives authority to the agencies and departments from Congress to get the kind of information that they think is necessary. And it gives authority for the forms and regulations and notices which keep the Federal Register going.

Your goal is a good goal, and we all seek that goal. But while we are seeking it, we are responsible in the Congress for proliferating more paperwork which the agencies send out. And if we ask the GAO to do it, we will be asking them to proliferate forms and questionnaires in order to get the information which they need. You cannot get it all by sending an army of people out to talk with people. It costs the Government money whether you send a man up to check, to interview a hundred businesses of a certain type, or whether you send out a hundred questionnaires with the request that they return the information which is deemed to be necessary by a particular agency or by the GAO.

So it is a difficult problem. It is not just the simple matter of saying that they should not issue paper to the small businessman. We are constantly demanding more information, as we did in the FEA Act. So they immediately start getting it, which generates paperwork or an army of bureaucrats to go out personally and get it.

I am just pointing out some of the problems that are involved in trying to do something about the paperwork burden.

Mr. HORTON. I would just like to say to the gentleman that I, too, am concerned about this paperwork burden. It is on all of us. We have a tremendous problem in our own offices. I think the stationery account has had to be increased almost every year in order for us to take care of the tremendous amount of paper that we utilize.

Sometimes I feel that I am in the business of just pushing paper. You feel you are just a slave to the paperwork in your own office. You do not have time to think about some of the important decisions that you have to make because you are tied down with all this paperwork.

Chairman HOLIFIELD. If my friend will yield, practically every Congressman and every Senator sends out questionnaires and increases that paperwork. They either send out questionnaires to obtain information, or they send it out to call their names to the attention of the recipients and let them know that they are concerned with the problems.

Mr. HORTON. What you are proposing in your bill is that the Comptroller General make a study of the reporting requirements.

We do not understand the words that you use: "Federal regulatory program."

As the chairman tried to point out, "regulatory programs" is not well defined. Are you talking about regulatory agencies, like the ICC, the FTC, et cetera, or are you talking about all regulatory programs of the executive branch?

I am not sure that I understand exactly what you are suggesting be studied.

Mr. YATRON. I was referring, as an example, to the ICC, the FTC, and some of the other regulatory agencies, as well as the executive.

Mr. HORTON. In other words, you are talking about a study throughout the executive branch?

Mr. YATRON. Yes. The intended inference and aim of H.R. 12181 encompasses the entire Federal structure—executive departments and regulatory agencies. I am convinced that a study of only one or two departments or agencies simply will not provide the composite picture necessary. Piecemeal studies will only provide partial or piecemeal information. Also, the nature of the paperwork of one department or agency will not necessarily reflect the nature of the reporting requirements of others.

Mr. HORTON. Let me make this point to you. We held some hearings in this committee some time ago on the problems of procurement. Now, procurement cuts across the whole spectrum of the Federal Government and the executive branch. As a result, when we finished we made a recommendation that there be established a Procurement Commission to make a study. That Commission was established by statute. And we worked almost 4 years on that Procurement Commission study and the problems of procurement.

Maybe the way to make this study is to have an independent commission which would look at this whole problem of paperwork. Or, as I understand it now, the Comptroller General is in the process of making some sort of pilot survey. Maybe it would be better not to do anything until that study is completed and we have its recommendation from the Comptroller General.

There has been a tendency more and more to put matters of an administrative nature into the legislative branch; namely, the GAO and the Comptroller General has been trying to resist that effort. I think that is a wise position on his part, because he wants to go along with keeping the administration in the executive branch.

So I think overall your bill has an excellent thrust and an excellent purpose. But I am not sure that the Comptroller General is the one to make the study. Secondly, I am not sure that the language would accomplish what you want.

I would hope that the GAO, with the work it is now doing, will come up with some recommendations which will perhaps put us on the right track.

In the meantime, I think we ought to take a good hard look at this and maybe come up with a different approach, because your approach does raise problems.

Mr. YATRON. I am sure that the committee, in its wisdom, would be able to explore alternative plans or approaches to make efforts more workable in dealing with the paperwork problem, and I emphasize that

I am not inflexible on these various approaches. After all, our ultimate intent and goal is exactly the same—to deal effectively with this paperwork problem.

However, I reiterate my view that only through a comprehensive study as called for in H.R. 12181, on a continuing on-going basis, can we hope to obtain a truly composite picture of the problem.

Mr. WYDLER. Congressman, your statement was very good. And the thrust of your bill is very good, too. It focuses attention on a serious problem.

But I would be less than candid with you if I said that my own fear is that if we were to give this job to the Comptroller General, or even to some independent commission or what have you, the first thing they would want is information on what the problem is.

The first thing they probably would do is send a form to all businessmen asking them to tell them what forms they are filling out so that they can get a view as to what the problem is. And so it would add more to the workload of the business. I foresee that as a possibility anyway. It is one of the things we would have to consider. Nevertheless, I think your idea is great, and I think we should try to do something to help the small businessman who is loaded down with the paperwork we have created for him.

Mr. YATRON. True, it is going to generate paperwork just by attempting to resolve this problem, but the benefits to be accrued, economically and otherwise, when we do make inroads, are so vast and extensive that there is really no valid comparison between the paperwork that may be generated by trying to solve the problem and the ultimate savings to business and the Government. We are talking about a problem so tremendous that it's mind-boggling.

Mr. Chairman, it's like building a foundation onto which you can continue to build. Once the skeleton or frame is begun, the task is even less difficult as we move ahead. Once we have an initial outline, the structure will continue to grow until we have the final picture, or structure. When we can see that structure, we will have made a tremendous achievement.

I still maintain, also, that by expanding the authority of the GAO, through enactment of H.R. 12181 and H.R. 14151, we will insure more effective checks and balances, vital to the workings of government.

Chairman HOLIFIELD. Thank you, Mr. Wydler.

Thank you, Mr. Yatron.

Mr. YATRON. Thank you very much.

Chairman HOLIFIELD. Our next witness is Mr. Fascell, our colleague on the committee.

STATEMENT OF HON. DANTE B. FASCELL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Mr. FASCELL. Mr. Chairman and members of the subcommittee, thank you for this opportunity.

I have a prepared statement. I request that it be included in the record, and I would like to proceed extemporaneously for a minute.

Chairman HOLIFIELD. That may be done. And you may proceed.

Mr. FASCELL. Mr. Chairman, first of all, I am very pleased to support the efforts of my colleague and this subcommittee to deal with the prob-

lem that confronts the businessman in America, particularly the small businessman. Every action to produce a paper amounts to a hidden tax on that man. And I think the small businessman deserves our best efforts to alleviate his problem in conducting his business. He has enough problems as it is.

When we consider the flow of requirements that come both by congressional act and by the rules and regulations of the executive departments and agencies and add State, county, and local requirements, I think we can almost assume, without even having a detailed picture, that the ordinary businessman is overworked and burdened by the paperwork. So anything that we can do, no matter how we do it, I think would have to be on the plus side.

GAO is already involved in a study. The Senate Government Operations Committee has directed GAO to do a study of the Department of Labor requirements that fall on the small businessman. Perhaps some other department could be checked in that way, also, just to get a better picture.

Maybe an independent commission with GAO supervision to do the study might be an answer. We certainly ought to have some small businessmen on such a commission. And we ought to do some field studies. It seems to me we ought to look at the burden from the other end, from actually what the small businessman is required to file with the Government.

But I think it is valid to take a look at the flow of work, in terms of forms, that results from either laws or regulations of a particular department and which impinge on the operations of the businessman. Then with that picture, we can try to reach some conclusions as to how we can minimize the burden.

Our colleague from Pennsylvania has hit on a very sensitive problem. There is no question about the fact that the small businessman needs this kind of relief. I think it is incumbent upon the legislature at this particular juncture in history to take aggressive action. Therefore, I commend the subcommittee for considering very seriously some action in this field.

I would like to also express my support for the chairman's bill which would examine the statutory requirements on reports to the Congress. I think we have far too many, and we are all guilty in our own committees of writing in the requirements.

Chairman HOLIFIELD. As you know, we are eliminating a great number of reports in that bill.

Mr. FASCELL. I think we need to proceed on that, Mr. Chairman. We need to examine all the requirements for reports, an overall review, and then keep reviewing and reducing the list of required reports to Congress.

And, finally, Mr. Chairman, returning to the other problem, I think as an arm of the legislative branch it would be extremely useful for GAO in some way, if not charged with the direct responsibility of conducting the studies, then at least they could give us the benefit of their views and recommendations to correct the overall problem facing the small businessman.

Mr. HORTON. If you will yield. As you will recall, the Comptroller General was designated by the Congress as a member of the Govern-

ment Procurement Commission. And that was the way we tried to get the views of the GAO, by his membership on that body.

Mr. FASCELL. I was suggesting that that might be a viable solution to the problem. I can see difficulty if GAO would have the sole and fundamental responsibility of a review of the requirements of the Congress and the executive branch which place a paperwork burden on the American businessman. That might be very difficult for them to undertake, in light of the onerous duties they already have. But I do think a very serious study of the overall problem is definitely called for. And I am sure that the subcommittee will respond in proper fashion to meet that problem.

Thank you, Mr. Chairman. I wanted to express my serious support for the efforts by our distinguished colleague from Pennsylvania. I think he is making a very substantial contribution in bringing this matter to the attention of the Congress.

[Mr. Fascell's prepared statement follows:]

PREPARED STATEMENT OF HON. DANTE B. FASCELL, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF FLORIDA

Mr. Chairman, thank you for the opportunity to appear before you this morning in support of the "Federal Paperwork Burden Relief Act," which I have joined in sponsoring with our colleague, Congressman Gus Yatron, and more than 160 of our colleagues in the House of Representatives.

The federal paperwork burden on small businessmen, which this bill is intended to reduce, has always been severe. In recent years the increasing demands made by hundreds of federal departments, agencies, commissions and bureaus has become intolerable. The need for this bill is abundantly clear.

We know the burden is there. We know it is increasing. We know something positive should and must be done to help ease the government's insatiable appetite for information and reports.

We could use the "axe" approach and with one swing exempt small businesses from all or almost all federal reporting requirements. Or we could take up unreasonable or unduly burdensome requirements one by one as they are called to our attention by justly irate and frustrated constituents.

Or we could do what this bill provides—direct a thorough, comprehensive survey of existing requirements to determine which are necessary for the proper conduct of government, whether all or only some are needed, whether the extent and detail of information required is really needed or truly useful, whether reports or particular types of information can be eliminated or simplified.

Based on the results of such a survey and the recommendations of GAO, we could then proceed in a more rational fashion to consider an omnibus bill to reduce the burdensome reporting requirements presently imposed on small businessmen. We might even find that there are many reports required of big businesses also that are unnecessary or of little utility.

The cost to a small businessman of dealing with the federal government is a cruel and hidden tax. It is becoming an increasingly larger share of his total cost of doing business—quite apart from the frustrations of spending his money and his time on what to him are totally useless, non-productive and non-profitable reports.

The federal paperwork burden also causes an increase in the price of products and services to the consumer and contributes to the inflation that threatens our economy and is felt so personally by every family. There is no justification for the government—which is supposed to control or eliminate inflation—to fuel its flames by adding needlessly to the costs of doing business.

Except for a direct and immediate tax cut or some dramatic action that would actually dampen inflation, I do not know of a single measure that would be as visible to, or as welcomed by, small businessmen as this bill. It would provide the basis for rational consideration of ways to reduce his costs and make it easier for him to live with his government. Passage of this bill would let him know that someone in government has heart, someone cares, and someone is going to try to do something about his problems.

At a time when all institutions are under attack, particularly governmental ones, and when the legislature is held in such contempt, it is time for us to be responsive to the vocal and legitimate complaints of the citizenry. We can do so by taking action to ascertain what relief from reporting requirements can be given to small businessmen. I urge the Subcommittee to take such action.

Thank you.

Chairman HOLIFIELD. Thank you very much. Your testimony is, as always, pertinent, and certainly welcome to the committee.

We have as our next witness, Mr. Charles L. Bingman, Deputy Associate Director, Office of Management and Budget.

Mr. HORTON. The House is going to go in session at 11 a.m., and we may not be able to get through.

Chairman HOLIFIELD. Before you start, Mr. Bingman, I have a letter from Senator McIntyre, chairman of the Subcommittee on Government Regulations of the Senate Small Business Committee. He is in markup in that committee this morning, and he could not appear. He asks that his statement be placed in the record at this point. Without objection, it will be received.

[Mr. McIntyre's prepared statement follows:]

PREPARED STATEMENT OF HON. THOMAS J. MCINTYRE, A SENATOR IN CONGRESS
FROM THE STATE OF NEW HAMPSHIRE

Mr. Chairman and members of the committee. I am pleased to be able to present my views to you on Congressman Yatron's legislation, H.R. 12181, and other pending bills dealing with excessive paperwork. H.R. 12181 and companion bills would direct the General Accounting Office to study the burden of Federal reporting requirements on the nation's small businesses. As Chairman of the Government Regulation Subcommittee of the Senate Small Business Committee, I have directed a study and investigatory hearing into this matter for several years. I am pleased that your Committee, Congressman Yatron and others are joining in the battle to save our businessmen from the incredible Federal paper machine.

We need a lot of action. Let's face it, a study of the Federal paperwork burden and how it affects small business is a good first step and I applaud it. But we must go further if we are to cut the paperwork and red tape burden that our small and independent businessmen have to surmount.

Our Senate Committee hearings have shown unequivocally that many of our small businessmen face extinction because of the excessive paper demands made by our Federal bureaucracy, our laws, in spite of the limits on paperwork laid down in the 1942 Federal Reports Act.

Our Committee's hearing record since 1968 is immense. And more information flows in daily on how to cut paperwork and how important the nation's small businessmen consider any lessening of their burdens. Despite suggestions, just last week I heard that another businessman was paying penalties because the paperwork he had to file could not be completed on time.

According to the Office of Management and Budget, a one-man business must use 100 hours or more than two weeks of work time every year just to comply with Federal reporting requirements. One restaurant owner told me that he grossed \$30,000 per year but had to pay \$820 of that to an accountant who would handle his paperwork. Without an accountant to help, he feared he would incur fines that would drastically curtail his ability to operate.

Not only do the nation's small businesses pay for their own paperwork; they pay for the Federal Government's. The General Accounting Office reported last year that the cost to the Federal Government of paperwork is \$15 billion a year. And the paper that we store is 11 times larger than the total volume of the Washington Monument!

Clearly this burden must be reduced. The bills that your Committee is studying will help. Publicity and Congressional directives can discourage our zealous agencies who think they want to know everything about everybody but receive so many unneeded papers that some might not find even a first reading before they molder in some dingy Federal warehouse.

One Senatorial resolution that I introduced with several cosponsors, Senate Resolution 173, directed the Securities and Exchange Commission to study its rules and regulations and to amend them where possible to cut the paperwork burden. That paperwork burden had been falling most heavily on the nation's small broker-dealers, the corner brokerage that handles the securities that the big firms cannot, the brokerages that provide the market for the securities of the small publicly owned business. That resolution led to the formation of a Report Coordinating Group which will advise the Commission on cutting down paperwork.

Incidentally, a small broker-dealer is among the sixteen members of the group. After years of fighting the SEC, another broker-dealer told me that the response from the SEC after S. Res. 173 passed was incredible.

Legislation is needed, though, to cut the burden further. I introduced legislation that would give the power over the Federal Government's forms to the General Accounting Office. That legislation led to a meeting with Roy Ash, the Director of the Office of Management and Budget, the agency that oversees the Federal paperwork burden now. Since then, Director Ash has pushed OMB toward a study that would tackle the reports burden on small and independent businesses.

Each of these results is gratifying to me. I hope that your actions will result in similar moves.

But there is one additional area that should certainly be considered: The question of the complexity of the Internal Revenue Service's reporting system. IRS reports are so complex according to small businessmen that they are often unable to meet IRS deadlines. If the nation's small businessmen rush to meet deadlines, often working weekends and nights after a full day of work, they admit they make mistakes. Mistakes mean penalties. But even paying the penalties is cheaper than fighting—the audit process is so long and legal fees so high.

It strikes me as wrong for small businessmen to be forced to acquiesce in this snowstorm of paperwork and then be forced to pay massive penalties for even the smallest mistakes.

Mr. Chairman, in closing, let me congratulate you and your Committee on holding these hearings. If there is anything that I am able to do to help you further, I hope that I can be of assistance.

Chairman HOLIFIELD. You may proceed.

STATEMENT OF CHARLES F. BINGMAN, DEPUTY ASSOCIATE DIRECTOR, ORGANIZATION AND SPECIAL STUDIES, OFFICE OF MANAGEMENT AND BUDGET

Mr. BINGMAN. Mr. Chairman and members of the subcommittee, I appreciate the opportunity to appear before this subcommittee to present the views of the Office of Management and Budget on H.R. 12113, a bill which would modify the Comptroller General's audit responsibilities and transfer certain of these responsibilities to the executive branch.

H.R. 12113 contains a number of separate titles relating to GAO audit authority and responsibility. Since these titles are essentially separate and unrelated, I believe I can best convey the OMB position by going through each title in sequence.

Title I—Statistical Sampling Procedures in the Examination of Vouchers amends Public Law 88-521 to remove the \$100 limitation below which the sampling procedures are now confined, and to authorize agency heads to extend these sampling techniques to administrative preaudit of vouchers in excess of that amount, subject to dollar limits which, from time to time, the Comptroller General may prescribe.

I understand that the Comptroller General will set a limit only on the dollar breakpoint below which the use of statistical sampling will be applied, leaving the agency head free to determine, for his own work situation, the exact sampling procedures he will apply in order to achieve adequate and effective results. We believe that such latitude is desirable and preferable to uniform mandated sampling techniques. We also recognize that GAO would audit the soundness of sampling techniques as part of its regular audit responsibilities. If this interpretation is correct, OMB supports title I. We believe that substantial dollar savings should be possible through the intelligent use of sampling techniques, and I believe some of the departments and agencies should be able to supply estimates of potential savings should this provision be adopted.

Title II--Audit of Transportation Payments. This provision would amend section 322 of the Transportation Act of 1940 to transfer primary authority for the audit of transportation bills and recovery of overcharges from GAO to one or more agencies of the executive branch as designated by the Director of OMB.

GAO has been performing this function as a centralized audit operation for many years. As I understand the Comptroller General's position, he is advocating this transfer now largely on the basis that this activity is primarily operational in nature and therefore belongs in the executive branch. OMB has no basic objection to the transfer of the function, but I do have a number of concerns as to how this transfer would be properly accomplished.

We have already had some preliminary discussions with GAO and with several executive branch agencies about the problems of moving this function. We have already concluded that it would be highly desirable to keep the entire activity together and assign it to a single executive branch agency. I cannot say definitely as yet which agency will be designated, but wherever it is assigned, it will represent a substantial increase of workload.

I also recognize that GAO is in the midst of a long-term effort to streamline and greatly simplify traditional transportation billing and audit approaches and that a good deal of time and effort must be invested, prior to any transfer, to develop and install the improvements which they have in mind.

We are therefore dealing with a changing activity where we may not be able accurately to define now the numbers and kinds of people and the equipment which will be needed to run this function at the time of transfer. In addition, I recognize that there will be many individual employees now in GAO who will be faced with important career decisions of their own in terms of whether they wish to transfer out of GAO.

I am raising these concerns not in the form of objection to the transfer, but to give some recognition to the fact that should this legislation be enacted, GAO and the gaining agency, along with OMB, will have a joint responsibility to see to it that a fully effective unit is transferred, that the work continues to be properly performed, that the interests of individual employees are protected, and that they are given every assistance in looking to their own best interests. I do not believe

any change in the proposed legislation is necessary, but certainly a carefully prepared implementation plan mutually agreed to by GAO and the gaining agency would be necessary and the assistance of the Civil Service Commission would be highly desirable on the personnel management aspects of the transfer.

Passing on to the next area, title III deals with the extension of GAO audit authority to include nonappropriated fund activities. OMB would not oppose this extension, but does oppose the provision in section 301(b) which would require a complicated annual report from each nonappropriated fund activity to GAO in a form dictated by the Comptroller General.

Many of these nonappropriated fund activities are small, and many are run by employee association or other nonofficial groups. Most already use some form of audit of their own activities as good business practice, and I suspect most also are subject to official audit and management scrutiny by the agency of installation on which they operate, and management reports are already required to meet these demands. I believe that GAO could obtain these reports through the agencies or through its own field offices, and the imposition of an additional report to GAO would be an added burden which seems wholly unwarranted.

I believe, also, Mr. Chairman, that it is difficult to comment on the desirability of this extension of GAO authority because there is no acceptable general definition of what constitutes a nonappropriated fund activity.

There is not, to my knowledge, any existing definition in statute, nor even any commonly accepted understanding of the term in use in GAO or in the executive branch. While section 301(a) attempts to list examples of what is intended, this certainly seems much too imprecise for legislation of this kind.

With respect to title IV of H.R. 12113, I would like to express two concerns. First, the rate at which Federal agencies normally compensate experts or consultants is that of a GS-18. I do not understand why the rate of level V of the executive schedule would be necessary for such appointments in GAO.

Similarly, section 401(b) seeks to waive the current law as it applies to compensation for retired military personnel employed as experts under this title. Currently retired military personnel may receive only one-half of their pay over \$2,000, and I do not understand why a double pay authorization is necessary for GAO.

Title V seeks to give to GAO exclusive custody of the building which they now occupy as a headquarters here in Washington.

I understand that GSA has already testified in opposition to this provision. OMB supports GSA's position because we believe that this would be an unnecessary exclusion from the overall responsibility for administration of public buildings and the administration of the Federal buildings fund as defined by Public Law 92-313.

I would defer to GSA in making a more detailed case, simply noting that GAO is furnished office space and services all over the country, either by GSA for GAO's own offices, or by other departments and agencies for the use of GAO "resident auditors" colocated with them.

OMB has no objection to the technical provisions of title VI, amending a number of existing statutes relating to audits of Government corporations. I understand, however, that the Farm Credit Administration is concerned with the application of section 601(c) to its operations. I understand that the present law requires that the financial transactions of mixed ownership Government corporations be audited by GAO only for periods during which there is an investment of Government capital. FCA points out that, while it was initially capitalized by the Federal Government, this capital has been repaid since 1968, and the entire system is now owned by its users. I believe FCA will write directly to the committee seeking clarification of this point.

Finally, Mr. Chairman, OMB has no objection to title VII of H.R. 12113 dealing with a number of separate amendments to existing statutes making certain changes in the frequency or timing of GAO audits in Government agencies.

That concludes my statement, Mr. Chairman.

I would be happy to respond to any questions.

Chairman HOLIFIELD. Thank you, Mr. Bingman.

Mr. Roback.

Mr. ROBACK. On the definition of nonappropriated funds activities, are you familiar with the proposed amendment submitted by the Comptroller General?

Mr. BINGMAN. No, sir, I am not.

Mr. ROBACK. In that amendment he proposes to define it in some such terms, as nonappropriated funds and related activities which are established within the executive branch to administer the sale of merchandise and services to military or other Government personnel and dependants, and then he lists the exchanges and commissaries as examples.

Now, this ties the nonappropriated fund activities rather directly to sales which ordinarily would be made for profit, as the Comptroller General pointed out yesterday. Do you think that is a sufficient definition for legislation?

Mr. BINGMAN. I would like to have an opportunity to think about it, Mr. Roback. It is clearer than the illustrations which are now in the act, and therefore would be helpful. However, it also more clearly portrays the sense that this authority would be rather limited in character and is not intended to extend authority into a lot of other Federal kinds of activities which operate with nonappropriated funds, but are not of the kind that you described.

With your permission, I would like, Mr. Chairman, to submit a further response for the record on that definition.

Chairman HOLIFIELD. You may.

[The response follows:]

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF MANAGEMENT AND BUDGET,
Washington, D.C., July 15, 1974.

HON. CHET HOLIFIELD,
Chairman, Subcommittee on Legislation and Military Operations, U.S. House of Representatives, Washington, D.C.

DEAR CHAIRMAN HOLIFIELD: This responds to Mr. Roback's question concerning H.R. 12113 Title III, Audit of Nonappropriated Fund Activities definition raised during my testimony of June 6, 1974.

OMB would not oppose the proposed definition in the amendment to which Mr. Roback referred limiting nonappropriated funds and related activities to the sale of merchandise and services to military or other government personnel and dependents.

Please let me know if there is any other information you need.

Best regards,
Sincerely,

CHARLES F. BINGMAN,
*Deputy Associate Director,
Organization and Special Studies Division.*

Mr. GOODWIN. Mr. Bingman, with regard to the transfer of the transportation audit functions, I gather from your statement that you feel there is a lot going on over in GAO in connection with computerization and otherwise.

That makes it difficult for you to decide just how this transfer should take place. Does that suggest that perhaps this legislation is premature, and that we ought to hold up until these problems are resolved?

Mr. BINGMAN. As I indicated in my testimony, we are looking at a fairly dynamic operation. GAO for a number of years has been engaged in the upgrading and improvement of this operation, largely in terms of computerization and further automation. That process will continue for many more months, and should continue whether this operation is in GAO or in the executive branch. I do not know if there is a point at which the improvement of the function will be stabilized. The bill now allows until July 1 of 1976 to effect a transfer. My feeling would be that because of these kinds of concerns, I would very much like to see GAO and the gaining agency or agencies work out a careful implementation plan as to how the transfer would be effected.

I would not advocate that we hold up the transfer as a consequence of some of the real uncertainties that we envision. For example, I am concerned that GAO already is experiencing a situation where they have a number of retirements in this organization, and they find these skills are difficult to recruit. In the event of a transfer, there might be a lot of people who would prefer to stay in GAO rather than go to some executive branch agency. We would not want to find a situation in which we were transferring a heavy responsibility with a marginal or inadequate staff. During the transitional period, some executive branch agency would simply be taking on a shell that was not fully staffed and could not effectively operate.

Mr. ROBACK. Mr. Bingman, you feel that this is an unwelcome addition to the Federal budget on the executive side; is that really what bothers you?

Mr. BINGMAN. I think that is correct. It is a little like the Federal Reports Act. There are very few heroes that are going to emerge in the performance of this activity. There are a lot of concerns about how you keep a unit such as this operating effectively. We should work together with GAO in the form of a carefully laid transition plan which addresses all of these questions and makes certain that we transfer a fully functioning operation.

By working together, sufficient time would be provided for GAO to carry out the most important of its improvements to make the transfer effective.

Mr. GOODWIN. I take it that you are aware of the concern of the employees as to how this operation is going to affect them, and this is equally a matter of concern to you in connection with the transfer.

Mr. BINGMAN. That is correct.

Mr. GOODWIN. There has also been some concern as to how this is going to affect the present offices that have been established by the DOD in Heidelberg and Tokyo, and under MSTs to handle special cases of the audit function. Do you visualize the future system as being able to accommodate these problems?

Mr. BINGMAN. I know that these concerns are very important. I am sure that there are other examples in the Federal Establishment where agencies, because of increased automation and computerization of operations, might be able to take on a part of this burden. What we are saying is that we now see a centralized audit process, and there have been advantages to that centralization.

At this point in time, we think the whole process should be transferred and placed in a single agency in the executive branch. I would not want that to be a commitment to complete centralization off into the future. Even now GAO is considering exceptions to this general centralized facility which allows part of this audit burden to be handled by agencies. I would think that you ought to continue to look for those opportunities in the future even after this function is transferred to the executive branch.

Mr. GOODWIN. Do you feel we need a provision in the bill that would provide for this kind of flexibility?

Mr. BINGMAN. It may well be that if you do not make such a provision, then to effect that kind of transfer of administrative responsibility in the future might require legislation. If it were possible to enable the gaining agency to make those administrative decisions, under the provisions of the Federal Economy Act, then there would be an added degree of flexibility.

Mr. GOODWIN. Could there be fair assurance that there would still be a common set of procedures and regulations to govern those things so that the carriers would not be confronted by different requirements in different agencies under the circumstances?

Mr. BINGMAN. Yes. I think that is quite consistent with the role that GAO plays in many other areas.

Mr. GOODWIN. Turning to the nonappropriated fund provision, you recognize that these nonappropriated funds are now making annual reports for management purposes. I am just wondering why you regard it as so much of a burden for them to furnish the same kind of report, or perhaps, a somewhat amplified report, to GAO.

Mr. BINGMAN. I do not know that all such nonappropriated fund activities do have that kind of management requirement. I suspect almost all of them do. I am most familiar with those in NASA where I worked at one stage.

My point was this: I am aware of the fact that they generally not only prepare business reports for themselves, but may be responsible for the preparation of formal submissions to the agency in which the nonappropriated funds are operating. Those reports would undoubtedly be available to GAO right now, and could be obtained either from the agencies or by GAO through its network area field offices and resident auditors. I would think that those reports would be perfectly adequate for GAO's purposes in planning its own audit schedule and identifying areas of concern. What I was opposing was the thought that the GAO is creating yet another report to be imposed in addition

to the ones which already exist. It could come from hundreds of these activities to GAO and serve no useful purpose. It is quite possible that one report could serve both purposes.

Mr. GOODWIN. In connection with experts and consultants, the Executive Office of the President has found some need to hire experts and consultants at executive level salaries. I am just wondering why you do not see the possibility that that need also would exist for GAO and perhaps other agencies.

Mr. BINGMAN. I would like to defer to the Civil Service Commission for a more detailed explanation of what they regard as the usual pattern in Federal agencies. My remarks about the GS-18 level are reflective of my understanding of the normal practice. I think your point is well taken about the Executive Office of the President.

Mr. GOODWIN. With respect to the problem you refer to about the Farm Credit Administration, I have tried to discover what the nature of the problem is and haven't been successful so far. So I would appreciate somebody from the Farm Credit Administration educating us as to just what their problem is.

Mr. BINGMAN. The FCA sent a letter regarding this legislation. We can supply that letter to you, and if that leaves us both in the dark, we will try to have an FCA representative contact the committee.

Mr. GOODWIN. Thank you.
[The letter follows:]

FARM CREDIT ADMINISTRATION,
Washington, D.C., June 19, 1974.

HON. CHIEF HOLIFIELD,
Chairman, Committee on Government Operations, House of Representatives,
Washington, D.C.

DEAR CHAIRMAN HOLIFIELD: This is in response to the request of the Committee on Government Operations for the comments of this agency on H.R. 9091, a bill "To revise and restate certain functions and duties of the Comptroller General of the United States, and for other purposes."

Except for the provisions of section 1101(c), we defer to the views of other executive agencies on which the bill has specific impact.

Section 1101(c) would amend section 202 of the Government Corporation Control Act by adding thereto a sentence which, effective January 1, 1973, would require each mixed-ownership Government corporation to be audited by the General Accounting Office at least once in every three years. The first sentence of section 202, however, now requires the financial transactions of mixed-ownership Government corporations to be audited by the General Accounting Office only for any period during which Government capital has been invested therein.

Mixed-ownership Government corporations are defined in section 201 of the Act to include the Central Bank for Cooperatives and Regional Banks for Cooperatives, Federal Land Banks, and Federal Intermediate Credit Banks. These banks are under the supervision of the Farm Credit Administration which is required by law to examine and audit their transactions not less frequently than once each year. The function of these banks is to make credit available to farmers, ranchers, producers and harvesters of aquatic products, their cooperatives, and for certain rural housing purposes. The banks originally had government seed capital invested in them. However, the Government capital in all of the banks has been repaid—for the Federal Land Banks by 1947, and for the Banks for Cooperatives and Federal Intermediate Credit Banks by the end of 1968. Since those dates the banks have not been subject to audit by the General Accounting Office.

These Farm Credit institutions do not lend Government funds; the Federal Government does not insure or guarantee in any way the loans made by the funds. Because of these facts, and since they are completely owned by their

borrower-members and their financial books and records are audited yearly by the Farm Credit Administration, the need for an additional audit by the General Accounting Office for any period in which Government funds are not invested in them is not apparent. For this reason, we do not favor inclusion of section 1101(c) in the bill.

The Office of Management and Budget advises that from the standpoint of the administration's program, there is no objection to the submission of this report.

Sincerely,

E. A. JAENKE, Governor.

Chairman HOLIFIELD. Thank you, Mr. Bingham. I guess that is all the questions that we have.

The next witness is Mr. Frederick L. Williford of the National Federation of Independent Business.

You may proceed, sir.

STATEMENT OF FREDERICK L. WILLIFORD, DIRECTOR OF GOVERNMENT AFFAIRS, NATIONAL FEDERATION OF INDEPENDENT BUSINESS; ACCOMPANIED BY JOHN MOTLEY, LEGISLATIVE STAFF

Mr. WILLIFORD. Mr. Chairman, distinguished members of the committee, I am Frederick L. Williford, Director of Government Affairs for the National Federation of Independent Business. Accompanying me today is John Motley of our legislative staff.

Mr. Chairman, in the light of your time constraints, I am going to summarize my statement this morning. However, I respectfully request that the statement be printed in full in the record.

Chairman HOLIFIELD. The request is granted.

Mr. WILLIFORD. Thank you.

The National Federation of Independent Business is the largest single member business organization in the United States. And, on behalf of its more than 380,000 member firms, I wish to thank you for this opportunity to testify on H.R. 12181—the Federal Paperwork Burden Relief Act.

Most small businessmen complain that Government paperwork is both time consuming and costly. And, according to recent studies, their statements are accurate. The Federal Paperwork Burden, a 1973 report of the Senate Small Business Committee's Subcommittee on Government Regulation stated that the Office of Management and Budget estimated that the Federal Government requires about 130.5 million man-hours of work per year from those who fill out and file its forms. OMB admits that this is a very conservative figure, which is continually increasing.

The reporting burden for small business alone, between the end of 1966 and the end of 1971, increased by over 10 million man-hours. This "Federal Forms Pollution," as Senator Thomas McIntyre aptly described this appalling phenomenon, costs the small business community over \$18 billion per year. He estimates that it fills out over 10 billion forms annually.

The familiar adage in business that time is money can be applied even more aptly to small business. Most small businessmen are deeply involved in the day-to-day operation of their firms. Their time is a valuable commodity, and the researching of the accounting and statistical records needed to fill out Government forms is nonproductive work. This time must be taken from normal income-producing ac-

tivities and can have a critical impact upon a small, struggling enterprise.

Some time ago NFIB tried to gage the degree of involvement of its members in this time-consuming activity of paperwork, filling out forms. It was startled to discover that in almost a quarter of the firms examined (24 percent), the owner completed the required Federal forms. Only 6 percent of the small businesses surveyed contracted this work out to accountants, while in the remaining 70 percent both the owner and his staff were involved. In other words, in 94 percent of the firms examined, both the owner and his staff were engaged in considerable nonproductive work.

As previously noted, nonproductive work can have a critical impact upon a struggling small business. It is extremely difficult for small firms to absorb these nonessential costs. They simply do not have the resources to support nonproductive employees. Nor do they have a labor force large enough to spread out the per unit cost of this paperwork. This places them at an immediate competitive disadvantage. Big business does have the sales volume to distribute these costs, plus the resources to seek out and employ the experts capable of cutting or offsetting them entirely.

Congress has long recognized the adverse impact of Federal paperwork requirements upon small, independent business. In 1942 it passed the Federal Reports Act, which declared it—

The policy of the Congress that information which may be needed by various Federal agencies should be obtained with a minimum burden upon business enterprises (especially small business enterprises) and other persons required to furnish such information.

Despite this congressional interest and the vigilance of the Select Committee on Small Business, "Federal Forms Pollution" continues unchecked. In fact, Federal forms are proliferating faster today than ever before.

The total paperwork burden of a typical small business has more than doubled over the past 10 years. A small firm with about 50 employees is required to complete and file between 75 and 80 forms a year. During a recent 3-year period, from 1965 to 1968, approximately 1,200 new Federal forms were approved by OMB. This is compounded daily by States and municipalities striving to comply with recent Federal enactments like environmental protection and OSHA.

A pressing and somewhat frightening example of this proliferation was recently provided to Congressman Tom Railsback of Illinois by one of his small business constituents—the Moline Tool Co. Its president supplied the Congressman with a list of the Government reports and forms that it filled out between January 1 and April 30, 1972. The list contained a total of 49 entries—23 Federal and 26 State forms. We have appended this list to our statement as appendix A, Mr. Chairman.

Tax forms are the largest single source of small business paperwork. It is estimated that the Internal Revenue Service, which is not subject to the Federal Reports Act of 1942, is responsible for about 35 percent of all the Federal forms in use today. Over the past 4 years, the number of tax forms listed in the IRS's Tax Guide for Small Business has more than doubled. The cost of filing these returns also has increased rapidly, from \$100, 10 years ago, to \$500 today.

As this burden continues to grow, it becomes more and more difficult to start and build a profitable small business. Today, only 3 of every 10 new businesses survive past their first 5 years in operation. Congress has long realized that a secure and prosperous small business community is a vital element in a healthy national economy, so positive action must be taken before Federal forms pollution inflicts irreparable damage upon the future economic well-being of the United States.

The National Federation of Independent Business and its 380,000-member firms wholeheartedly endorse the intent of H.R. 12181. Its basic thrust, which includes in-depth investigation and remedial legislation, is unquestionably sound, and deserves your sincere consideration.

It is NFIB's understanding that the Government Accounting Office opposes enactment of H.R. 12181. GAO feels that its responsibilities under this bill would be unduly burdensome and seriously impair its ability to fulfill its present statutory obligation to Congress. This certainly is a legitimate concern, and it should weigh heavily in the committee's deliberations, but the burden of federally generated paperwork grows heavier every day and a way must be found to lighten it before small business is buried under a mountain of forms and redtape.

The federation agrees with GAO that the task outlined in this bill is mammoth. If this was ever in doubt, GAO's present investigation of the paperwork generated by the Department of Labor confirmed our worst fears. But, contrary to GAO's position, the federation views this as the most compelling reason for GAO involvement. No other governmental agency is capable of undertaking a task of this magnitude successfully.

The Office of Management and Budget has failed miserably. In addition, its priorities in this area are questionable. During the past few years it has spent a good deal of time and effort trying to block the Federal Trade Commission's line of business questionnaire, which is meant solely for big business, while the proliferation of forms impacting on smaller firms and individuals has gone almost unchecked.

While OMB's poor performance in checking this growth is of major concern, the fact that this expansion can be attributed to a myriad of diverse sources provides an even more cogent reason for GAO's involvement. At present, there are three major sources of Federal paperwork, the line or executive agencies, like the Departments of Labor and Commerce, the regulatory agencies, such as the FTC and the SEC, and the Internal Revenue Service. Under the Federal Reports Act of 1942, the first two groups were responsible to the Office of Management and Budget, but during the first session of this Congress authority over the regulatory agencies, in a somewhat weakened or limited form, was transferred to GAO by an amendment to the Alaskan Pipeline Act. The last and greatest source of Federal paperwork, IRS, answers to no one. It is completely free to gather whatever information it feels is necessary, even if this data is available elsewhere in the Federal Government.

This fragmentation of responsibility makes it almost impossible for any private organization or congressional committee to analyze

and get to the heart of the problem. An overview is needed. And, NFIB believes that GAO is the only agency capable of providing the expertise and coordination necessary to develop a viable solution.

Another important reason for assigning this task to the Government Accounting Office is its role as congressional watchdog. Frankly, because of past experience in this area, the federation places a great deal more faith in Congress than in any single administration. We believe that congressional oversight, carried out by GAO, would be the best insurance against the continued growth of unnecessary bureaucratic paperwork.

Congressman Yatron has provided the House with a much-needed vehicle for reestablishing its position of leadership on this issue. And while the language of H.R. 12181 may be somewhat rigid for enactment, its intent is clear and supported by well over 162 of your colleagues.

There are many friends of small business on this distinguished committee making it an appropriate spokesman for the House on this issue. Yet, we realize that the committee is extremely busy and that an investigation of this magnitude may not easily fit into its schedule. Therefore, in order to maintain the momentum gained today, NFIB endorses Congressman Yatron's suggestion that you, Mr. Chairman, appoint a special select subcommittee to carry forward this much-needed investigation.

The small business community is realistic and does not expect this to be accomplished overnight. But today is only the long-awaited first step. It must be followed by a sincere commitment to find and implement a workable solution to stop the proliferation of governmental paperwork.

Under the Federal Reports Act of 1942, the Office of Management and Budget is charged with the responsibility for monitoring Federal paperwork to eliminate unnecessary duplication and to simplify required forms. According to Senator McIntyre, the 1942 law "contained the potential for holding in check the tendency of the executive bureaucracy to demand even more data from small business."

From the small business viewpoint, this well-intentioned law has failed.

Judging solely from the facts presented previously, the National Federation of Independent Business concurs with the conclusions reached by Senator McIntyre's Subcommittee on Government Regulation, which found that "the Office of Management and Budget is not adequately administering the Federal Reports Act of 1942," and that "OMB also has shown a consistent lack of initiative in rigorously pursuing the directives of the act.

The subcommittee also noted that the 1942 law had been "ineffective in controlling the proliferation of Federal paperwork due to lack of authority over IRS and the ineffective administration of the act by OMB." The subcommittee concluded further that "if the paperwork burden is to be brought under control, Congress must look elsewhere than to OMB for any real and effective improvement."

Based upon these findings, the subcommittee recommended the enactment of legislation to bring the IRS under the jurisdiction of the Federal Reports Act and to transfer authority for administration of the

law from OMB to the Comptroller General. These recommendations are embodied in Congressman Yatron's bill which has been referred to this committee.

When Congress passed the Jackson amendment to the Alaskan pipeline bill during the last session, it recognized OMB's inadequate performance in this area and acted to correct it by transferring limited oversight authority over the Federal regulatory agencies to the GAO. Enactment of H.R. 14151, a bill similar to H.R. 12181, would bring IRS under the jurisdiction of the 1942 act and transfer administration of it to the Comptroller General, and would be the next logical step. We urge the committee to take it.

OMB has had 32 years to make the Federal Reports Act work and has failed to do so. NFIB feels that it is time to let someone else carry the ball before it is too late for small business.

The National Federation of Independent Business considers it a privilege to have had this opportunity to testify before this distinguished committee. We hope our testimony is useful to you in your deliberations, and we stand ready to be of assistance at any time in our mutual efforts in behalf of small and independent business.

[Mr. Williford's prepared statement follows:]

PREPARED STATEMENT OF FREDERICK L. WILLIFORD, DIRECTOR OF GOVERNMENT AFFAIRS, NATIONAL FEDERATION OF INDEPENDENT BUSINESS

Mr. Chairman, distinguished members of the committee, I am Frederick L. Williford, Director of Government Affairs for the National Federation of Independent Business. Accompanying me today is John Motley of our legislative staff.

The National Federation of Independent Business is the largest single member business organization in the United States. And, on behalf of its more than 380,000 member firms, I wish to thank you for this opportunity to testify on H.R. 12181—The Federal Paperwork Burden Relief Act.

Over 96 percent of all the firms in the United States are small businesses. They account for more than 40 percent of our Gross National Product and employ over 50 percent of our work force—more than 37 million Americans. In fact, small business provides almost half of our population with the essentials of life. It is a very sizeable and important sector of our economy.

NFIB's member firms represent a true and accurate cross-section of the American small business community. The majority of them are proprietorships and partnerships. More than 85 percent of these firms employ less than twenty people and over 55 percent have gross sales under \$200,000 per year.

This diverse and representative membership and our unique practice of regularly polling it on important legislative issues means that the Federation accurately portrays the beliefs and attitudes of the vast majority of the small, independent businessmen of America.

GOVERNMENT PAPERWORK: ITS IMPACT ON SMALL BUSINESS

Earlier this year in a speech before the Senate, Senator Alan Bible of Nevada, the Chairman of the Select Committee on Small Business, stated quite bluntly that, "the cold, hard fact is that the Federal Government is burying the small businessman under an avalanche of paper." Unfortunately, a sampling of the attitudes of Federation members shows that the Senator's assessment is accurate.

The burdensome and suffocating impact of bureaucratic red tape and paperwork is one of the most constant and common complaints voiced by NFIB's member firms. Government inspired paperwork, whether it be for data collection, legislative enforcement or other purposes, seems to openly undermine the very nature of small business and threaten the future of the free enterprise system. It tends to contradict and negate the aggressive and independent spirit that has produced the greatest economy the world has ever known.

Most small businessmen complain that Government paperwork is both time-consuming and costly. And, according to recent studies, their statements are accurate. The Federal Paperwork Burden, a 1973 Report of the Small Business Committee's Subcommittee on Government Regulation stated that the Office of Management and Budget estimated that the Federal Government requires about 130.5 million man-hours of work per year from those who fill out and file its forms. OMB admits that this is a very conservative figure, which is continually increasing.

The reporting burden for small business alone, between the end of 1966, and the end of 1971, increased by over 10 million man hours. This "Federal Forms Pollution," as Senator Thomas McIntyre aptly described this appalling phenomenon, costs the small business community over \$18 billion per year. He estimates that it fills out over 10 billion forms annually.

The familiar adage that time is money in business can be applied even more aptly to small business. Most small businessmen are deeply involved in the day to day operation of their firms. Their time is a valuable commodity and the researching of the accounting and statistical records needed to fill out Government forms is non-productive work. This time must be taken from normal income-producing activities and can have a critical impact upon a small, struggling enterprise.

Some time ago NFIB tried to gauge the degree of involvement of its members in this time-consuming activity. It was startled to discover that in almost a quarter of the firms examined (24%), the owner completed the required Federal forms. Only 6 percent of the small businesses surveyed contracted this work out to accountants, while in the remaining 70 percent both the owner and his staff were involved. In other words, in 94 percent of the firms examined, both the owner and his staff were engaged in considerable non-productive work.

As previously noted, non-productive work can have a critical impact upon a struggling small business. It is extremely difficult for small firms to absorb these non-essential costs. They simply do not have the resources to support non-productive employees. Nor do they have a labor force large enough to spread out the per unit cost of this paperwork. This places them at an immediate competitive disadvantage. Big business does have the sales volume to distribute these costs, plus the resources to seek out and employ the experts capable of cutting or offsetting them entirely.

Congress has long recognized the adverse impact of Federal paperwork requirements upon small, independent business. In 1942 it passed the Federal Reports Act, which declared it "the policy of the Congress that information which may be needed by various Federal agencies should be obtained with a minimum burden upon business enterprises (especially small business enterprises) and other persons required to furnish such information."

In a recent speech before his colleagues Senator McIntyre detailed his opinion of how the Reports Act was intended to redress this competitive disadvantage. He said that:

It recognized the disparity of resources between small businesses and large firms which have staffs of accountants and lawyers to understand and fill out extensive paperwork forms. It sought to protect small business from the competitive disadvantages of having to spend precious resources just to comply with Federal paperwork demands.

In addition to this early interest, several Committees in both Houses of Congress have studied the inordinate burden Federal paperwork places upon small business. Chief among these is the Senate Select Committee on Small Business, which has conducted a very valuable and comprehensive study of the problem. Its 1968 and 1973 Reports are just the first fruits of its continuing probe, but they provide the foundation upon which others can build.

Despite this Congressional interest and the vigilance of the Select Committee, "Federal Forms Pollution" continues unchecked. In fact, Federal forms are proliferating faster today than ever before.

The total paperwork burden of a typical small business has more than doubled over the past ten years. A small firm with about fifty employees is required to complete and file between 75 and 80 forms a year. During a recent three year period, from 1965 to 1968, approximately 1,200 new Federal forms were approved by OMB. This is compounded daily by states and municipalities striving to comply with recent Federal enactments like environmental protection and OSHA.

A depressing and somewhat frightening example of this proliferation was recently provided to Congressman Tom Railsback of Illinois by one of his small

business constituents—the Moline Tool Company. Its President supplied the Congressmen with a list of the Government reports and forms that it filled out between January 1st and April 30th, 1972. The list contained a total of 49 entries—23 Federal and 26 State forms. (See Appendix A.)

Tax forms are the largest single source of small business paperwork. It is estimated that the Internal Revenue Service, which is not subject to the Federal Reports Act of 1942, is responsible for about 35 percent of all the Federal forms in use today. Over the past four years, the number of tax forms listed in the IRS's *Tax Guide for Small Business* has more than doubled. The cost of filing these returns has also increased rapidly, from \$100 ten years ago to \$500 today.

Again, it is the Moline Tool Company that provides us with a frightening example of this phenomenon. The company's long-time accountant and bookkeeper retired in 1970, but before he left he made a study of the increase in tax reporting requirements that had occurred during his years with Moline. He discovered that this burden had increased 1060 percent between 1933, when only eight forms were required, and 1970, when the company had to file 85 tax reports a year.

The overwhelming burden placed on small firms by tax forms was verified early last year by Mr. Vosen, a Certified Public Accountant and a constituent of Congressman Charles A. Vanik of Ohio. In a letter to Representative Vanik he listed 21 of the most common Federal, state and local Tax forms that he had to file for his small business clients before April 30, 1973. (See Appendix B.)

As this burden continues to grow, it becomes more and more difficult to start and build a profitable small business. Today, only three of every ten new businesses survive past their first five years in operation. Congress has long realized that a secure and prosperous small business community is a vital element in a healthy national economy, so positive action must be taken before "Federal Forms Pollution" inflicts irreparable damage upon the future economic well-being of the United States.

H.R. 12181

Outside of the work done by Sen. McIntyre's Subcommittee, Congress has paid very little attention to the paperwork problem over the last decade. This is especially true of the House. It has almost been relegated to the status of a non-issue by the many pressing questions that have arisen in recent years.

Yet, red tape and paperwork pervade the lives of every American. Its proliferation frustrates and angers the ordinary citizen and discourages the small businessman. In fact, the attitude of the latter verges on outright despair.

This is the reason why the Federation was so tremendously pleased when Congressman Yatron showed an interest in leading the fight against this unsatiable monster. His bill, H.R. 12181, The Federal Paperwork Burden Relief Act, which has attracted 162 co-sponsors, has re-awakened the historic interest of the House in this issue. And, if the small businessman receives any of his long sought relief in this area, he owes a deep debt of gratitude to Gus Yatron.

The National Federation of Independent Business and its 380,000 member firms wholeheartedly endorse the intent of H.R. 12181. Its basic thrust, which includes in depth investigation and remedial legislation, is unquestionably sound, and deserves your sincere consideration.

It is NFIB's understanding that the Government Accounting Office opposes enactment of H.R. 12181. GAO feels that its responsibilities under this bill would be unduly burdensome and seriously impair its ability to fulfill its present statutory obligation to Congress. This certainly is a legitimate concern and it should weigh heavily in the Committee's deliberations, but the burden of Federally generated paperwork grows heavier every day and a way must be found to lighten it before small business is buried under a mountain of forms and red tape.

The Federation agrees with GAO that the task outlined in this bill is mammoth. If this was ever in doubt, GAO's present investigation of the paperwork generated by the Department of Labor confirmed our worse fears. But, contrary to GAO's position, the Federation views this as the most compelling reason for its involvement. No other governmental agency is capable of undertaking a task of this magnitude successfully.

The Office of Management and Budget has failed miserably. In addition, its priorities in this area are questionable. During the past few years it has spent a good deal of time and effort trying to block the Federal Trade Commission's Line of Business questionnaire, which is meant solely for big business, while

the proliferation of forms impacting on smaller firms and individuals has gone almost unchecked.

While OMB's poor performance in checking this growth is of major concern, the fact that this expansion can be attributed to a myriad of diverse sources provides an even more cogent reason for GAO's involvement.

At present, there are three major sources of Federal paperwork, the line or executive agencies, like the Departments of Labor and Commerce, the regulatory agencies, such as the FTC and the SEC, and the Internal Revenue Service. Under the Federal Reports Act of 1942, the first two groups were responsible to the Office of Management and Budget, but during the first Session of this Congress authority over the regulatory agencies, in a somewhat weakened or limited form, was transferred to GAO by an Amendment to the Alaskan Pipeline Act. The last and greatest source of Federal paperwork, IRS, answers to no one. It is completely free to gather whatever information it feels is necessary, even if this data is available elsewhere in the Federal Government.

This fragmentation makes it almost impossible for any private organization or Congressional Committee to analyze and get to the heart of the problem. An overview is needed. And, NFIB believes that GAO is the only agency capable of providing the expertise and coordination necessary to develop a viable solution.

Another important reason for assigning this task to the Government Accounting Office is its role as Congressional watchdog. Frankly, because of past experience in this area, the Federation places a great deal more faith in Congress than in any Administration. We believe that Congressional oversight, carried out by GAO, would be the best insurance against the continued growth of unnecessary bureaucratic paperwork.

Congressman Yatron has provided the House with a much needed vehicle for re-establishing its position of leadership on this issue. And while the language of H.R. 12181 may be too rigid for enactment, its intent is clear and supported by well over 162 of your colleagues. Hopefully, most of them will view this Hearing as only the first step toward bringing this problem under control.

There are many friends of small business on this distinguished Committee making it an appropriate spokesman for the House on this issue. Yet, we realize that the Committee is extremely busy and that an investigation of this magnitude may not easily fit into its schedule. Therefore, in order to maintain the momentum gained today, NFIB endorses Congressman Yatron's suggestion that you, Mr. Chairman, appoint a special select subcommittee to carry forward this much needed investigation. Its primary function would be to direct and coordinate the efforts of GAO in reducing the Federal paperwork burden.

The small business community is realistic and does not expect this to be accomplished over night. But today is only the long awaited first step. It must be followed by a sincere commitment to find and implement a workable solution to stop the proliferation of governmental paperwork.

H.R. 14151

Under the Federal Reports Act of 1942, the Office of Management and Budget is charged with the responsibility for monitoring Federal paperwork to eliminate unnecessary duplication and to simplify required forms. According to Senator McIntyre, the 1942 law "contained the potential for holding in check the tendency of the executive bureaucracy to demand even more data from small business."

From the small business viewpoint, this well-intentioned law has failed miserably.

Judging solely from the facts presented previously, the National Federation of Independent Business concurs completely and wholeheartedly with the conclusions reached by Senator McIntyre's Subcommittee on Government Regulation, which found that "the Office of Management and Budget is not adequately administering the Federal Reports Act of 1942," and that "OMB has also shown a consistent lack of initiative in rigorously pursuing the directives" of the Act. The Subcommittee also noted that the 1942 law had been "ineffective in controlling the proliferation of Federal paperwork due to lack of authority over IRS and the ineffective administration of the Act by OMB." It concluded further that "if the paperwork burden is to be brought under control, Congress must look elsewhere than to OMB for any real effective improvement."

Based upon these findings, the Subcommittee recommended the enactment of legislation to bring the Internal Revenue Service under the jurisdiction of the

Federal Reports Act and to transfer authority for administration of the law from OMB to the Comptroller General of the United States. These recommendations are embodied in Congressman Yatron's bill—H.R. 14151—which has been referred to this Committee.

When Congress passed the Jackson Amendment to the Alaskan Pipeline bill during the last Session, it recognized OMB's inadequate performance in this and acted to correct it by transferring limited oversight authority over the Federal regulatory agencies to the Government Accounting Office. H.R. 15151, would bring IRS under the jurisdiction of the 1942 Act and transfer administration of it to the Comptroller General, is the next logical step. We urge the Committee to take it.

OMB has had 32 years to make the Federal Reports Act work and has failed. NFIB feels that it is time to let someone else carry the ball before it is too late for small business.

The National Federation of Independent Business considers it a privilege to have had this opportunity to testify before this distinguished Committee. We hope our testimony is useful to you in your deliberations and we stand ready to be of assistance at any time in our mutual efforts in behalf of small and independent business.

Mr. Chairman, should the Members of the Committee have any questions regarding my testimony, I shall be happy to try to answer them.

Thank you.

APPENDIX A

GOVERNMENT REPORTS AND FORMS FILED BY MOLINE TOOL CO. FROM JANUARY 1, 1972, THROUGH APRIL 30, 1972

FEDERAL FORMS

Federal Unemployment Fourth Quarter 1971.
F.I.C.A. Wages Paid Fourth Quarter 1971.
Withholding Taxes 12-31-71.
Withholding Taxes 1-15-72.
Withholding Taxes 1-31-72.
Withholding Taxes 2-15-72.
Bureau of Commerce Annual Report Form MA100.
O.S.H.A. Report.
W-2's for 1971.
1099's for Dividend.
1096—Summary of 1099's.
Federal Income Tax Extension.
Federal Trade Commission Form MG-3 (P&L).
F.I.C.A. 3-15-72.
F.I.C.A. 3-31-72.
First Quarter F.I.C.A.
First Quarter Federal Unemployment.
MQ35-W Survey of Business on Hand and Shipments.
MQ35-W Supplement.
F.I.C.A. 4-15-72.
F.I.C.A. 4-30-72.

STATE FORMS

State Unemployment Fourth Quarter 1971.
State Unemployment Report Form DL 1219.
State Income Taxes Withheld 1-15-72.
State W-3 Report of Wages.
State Income Taxes Withheld 2-15-72.
State Income Tax Extension.
Illinois Sales Tax Report 1-31-72.
Illinois Sales Tax Report 2-28-72.
Illinois Local Unemployment Office Report—Expected Employment.
Illinois Form DL 1219—State Unemployment.
State—Statement of Products BLS 790
Illinois Department of Labor.
State of Illinois Annual Report.
Illinois Local Unemployment Office Report—Expected Employment.
State DL 1219 Job Openings and Labor Turnover.
Illinois Unemployment Investigation.
State Income Taxes Withheld 3-15-72.
State DL 1219.
State Annual Sales Tax Report.
State Annual Income Tax Payment?
Illinois First Quarter State Unemployment.
4/21 Illinois Form 1219.
4/28 Illinois Sales Tax.
3/31 Illinois Sales Tax.
4/28 Illinois ISES-8/1—Department of Labor.
DL 1219 for May.
4/15 State Income Taxes Withheld.

APPENDIX B

TAX FORMS FILED BY MR. VOSEN FOR HIS SMALL BUSINESS CLIENTS

FEDERAL FORMS

940: Federal Unemployment Tax Return, January 31st
 941: Employer's Quarterly Federal Tax Return, January 31st
 W-2: Wage and Tax Statement (one for each employee), January 31st
 W-3: Transmittal of Wage and Tax Statements, January 31st
 1099: U.S. Information Return on Commissions, Dividends, and Interests, January 31st
 1096: Transmittal Return for Form 1099, February 28th
 1120, 1120S: Corporation Income Tax Return, March 15th
 1165: Partnership Income Tax Return, April 15th
 1040: Individual Income Tax Return, April 15th

COUNTY FORMS

Tangible and Intangible Personal Property Tax Returns for Individuals; Proprietorships, and Corporations, April 30th

STATE FORMS

IT-941: State Return of Income Tax Withheld, January 31st

Mr. HORTON [presiding]. At the outset, on behalf of the subcommittee, let me express my appreciation to you for your testimony. I would like to say that I have had a great deal of contact with the NFIB since I have been in Congress. I was on the House Small Business Committee for 6 years. I have a great deal of respect for your organization, and I certainly applaud the purpose that you have here before the committee.

I think that no one has had more of a problem with paperwork than small business. And if there is anything we can do to lessen the burden, I hope we can do it.

Were you here when I was talking to Mr. Yatron of Pennsylvania?

Mr. WILLIFORD. Yes; I was.

Mr. HORTON. I indicated that I had some questions as to the language of the bill. I made the suggestion that a statutory commission could look at this problem rather than the GAO. Do you have any thoughts about that?

Mr. WILLIFORD. Yes, sir, we do. When we heard your comment, John Motley and I discussed it briefly.

But first I would like to say that we were sorry to lose you from the Small Business Committee. We have appreciated your support and your counsel given the small business community over the years. And we were mighty sorry to see you leave.

Mr. HORTON. Thank you.

CITY FORMS

Employer's Quarterly Withheld Municipal Tax Return, January 31st
 Reconciliation of Municipal Income Tax Withheld and Transmittal of Wage and Tax Statement, January 31st
 City Business Returns and City Individual Income Tax Returns, April 30th

Mr. WILLIFORD. Regarding the commission, we feel that this would be a reasonable approach. We are not locked into any specific approach to the solution of this problem. We welcome any suggestions and we welcome your suggestion that a commission be established. As you indicated, one had been established several years ago, I believe you said, by Truman. We would support such a study by such a commission. We feel that the results of the study of such a commission or any similar group would be very beneficial to the small business community, for the primary reason that it is going to focus upon the burgeoning problem that the small business community is facing in this area.

Mr. HORTON. My suggestion stems from the experience we had with the Procurement Commission. There, of course, we were concerned about the problems of procurement policy. The commission, which was a statutory commission, was able to take a hard look at the policy questions. In many instances, this paperwork burden deals with policy. The commission concept, I think, would put us in a better position to make policy recommendations than would a GAO report.

Mr. WILLIFORD. As I say, we have had very little time to consider it. Your suggestion this morning was the first time that we had thought about it, quite frankly. But we can see at the moment no objection whatever to going that route. In fact, as you say, it may be the best route to follow.

Mr. HORTON. Mr. Roback, our staff director, has questions.

Mr. ROBACK. Mr. Williford, you mention in your statement the proliferation of tax forms. Do you know of any tax forms that are put out that are not required by the law?

Mr. WILLIFORD. I would have to gather information on that from other members of my staff. I would be happy to furnish you with their comments relative to this subject. We have at the present time our treasurer, who is a CPA, or our secretary of the federation, who also is a certified public accountant, working with the IRS on the forms question. But that is only one facet of the problem. The problem also is that much of the information that is requested by IRS is available elsewhere in other Federal forms. And by virtue of that fact, what we are seeking is simplification of form filling out by the businessman. If he provides the information in one form, we can see no reason why he should provide it in subsequent forms from other agencies.

Mr. ROBACK. I was just wondering whether the complaint about the proliferation of tax forms is not in fact a complaint about the kind of tax system we have.

Mr. WILLIFORD. Perhaps that could be one explanation, yes.

Mr. ROBACK. You refer to the importance of congressional oversight. Now, we have in addition to the tax-writing committees in each House a Joint Committee on Internal Revenue Taxation that serves as an oversight committee for the tax system and the Internal Revenue Service and considers complaints. Have you addressed that committee?

Mr. WILLIFORD. Not on this specific subject. We are working with them in tax matters.

Mr. MOTLEY. I believe that the Senate Small Business Committee has referred complaints in this area to the Joint Committee on Internal

Revenue Taxation. It is the Senate Small Business Committee that has set up a small business internal revenue task force that our people are participating in. So they are working with them on simplification in that area.

Mr. ROBACK. You should understand, when you recommend additional congressional oversight, that you cannot expect from any committee of the Congress more leverage on the IRS than you would get from the joint committee. That is a generalization, and you will find it to be a fact.

Let me ask you this question. You refer in your testimony to the Alaskan Pipeline Act, and the amendment to it which you associate with the poor job that the OMB is doing. Now, it is my understanding—and correct me if you think it is wrong—that the reason that a shift was made from the OMB to the GAO in relation to clearance or monitoring of forms from regulatory agencies is that the OMB was not getting enough information, rather than getting too much information, from industry.

Mr. WILLIFORD. Yes; I think you are correct.

Mr. ROBACK. You are turning the argument around, you are saying that the OMB did not do its job in reducing paperwork and you want the GAO to get into the act. Yet, some people in the Congress were prepared to believe that the GAO would be more aggressive in extracting information from the oil companies.

Mr. MOTLEY. What we are saying is really that the OMB seems more interested in stopping forms which impact upon big business rather than stopping forms which impact upon the individual or small businesses. The OMB is relying upon advisory councils which have big business as a major portion of their membership, although there is one small business association involved in it.

Mr. ROBACK. Do you believe, and is it implicit in your testimony, that there are practical potentials for eliminating reporting burdens on small business and maintaining them for big business in the same area?

Mr. WILLIFORD. Are you asking whether or not they should be treated equally?

Mr. ROBACK. I am asking if you could devise administrative requirements in which big business will be required to supply information and not small business in any one sector of interest.

Mr. WILLIFORD. I do not know that we can succeed in a procedure for that at the moment—in fact I know we can't. But during the same period that OMB has spent considerable time on one issue, the line of business reporting, the proliferation of paperwork that small business has had to cope with has been increasing, and we have seen no action by OMB to try to remedy the small business problem from all sources, not necessarily from FTC.

Mr. MOTLEY. GAO's pilot study of the Labor Department has uncovered a very unique or odd practice in OMB as far as the clearance of forms are concerned, especially where it concerns duplication. It seems that OMB relies upon the memory of the clearance officer. So if the form is referred to two different clearance offices, he has no knowledge of the duplicate request.

Mr. ROBACK. You say the GAO study has disclosed it. I am not aware that they have made public the results of any study.

Mr. MOTLEY. GAO is in the process of conducting a pilot study of the paperwork generated by the Department.

Mr. ROBACK. You referred to one of their findings. I am not aware that they produced any findings.

Mr. MOTLEY. The GAO has briefed the Senate Government Operations Committee, and I believe they also offered to brief the House committee.

Mr. BUEHLER. If I may interrupt, I can confirm that that is indeed the case. They have clearing officers who work in special areas, such as on forms dealing with labor or agricultural issues.

Mr. MOTLEY. Over the 32 years of the act, I am sure that they have had several different people.

Mr. BUEHLER. If you get a different clearing officer, you are in trouble.

Mr. MOTLEY. That is exactly right. This is a case of extremely incompetent management.

Mr. GOODWIN. I have before me a copy of the Federal Register indicating that the Cost of Living Council proposed a form for issuance and published it for comment by the public, including various associations.

I am wondering whether this does not afford you a vehicle for trying to arrest this proliferation of paperwork? Why isn't this the best means of attacking this problem?

Mr. WILLIFORD. It is a means of attacking the problem. We do take advantage of that opportunity to protest those forms. The experience has shown that that is not the best way to attack the problem, because the problem, in fact, has not been solved even though that procedure has been in operation for a number of years, in fact, probably going back to the Federal Reports Act of 1942.

I believe that procedure was probably in effect then. And yet, in spite of that opportunity for small business, and business in general, or anyone, for that matter, to comment on the forms, it has, in fact, not solved the problem, which indicates that it is not a totally effective means of cutting down on paperwork or even limiting it.

Mr. MOTLEY. This would seem to me to apply to new programs, or changes in programs. But I think a great deal of duplication and unnecessary paperwork, which is already built into the system, is simply a matter of re-approving the form once it expires. While I am not absolutely sure, I doubt very much whether that would be put in the Federal Register for comments. This simply would be an extension of the life of the same form. OMB approves a form for 4 years. At the end of 4 years, if the agency is going to use the form again, they simply request that it be renewed. And that is an entirely different process. So you have a built-in problem here, too. It would be a good way to attack the problem of new paperwork, but the built-in problem is one which cannot be solved this way.

Mr. GOODWIN. Thank you.

Mr. MCGINN. I just have a few questions. The bill before us would require the Comptroller General to conduct a study of regulatory agencies. The amendment to the Alaskan Pipeline Act, which you mentioned several times, gives the Comptroller General the responsibility for reviewing practices of independent regulatory agencies. I

wonder if you could differentiate for us the regulatory programs which the bill seeks to place within the purview of the GAO study, and the information-gathering practices of independent regulatory agencies. Also, could you differentiate between the amount of paperwork required for regulatory programs as opposed to the amount of paperwork required for information programs.

There are numerous statistics gathered by the Census Bureau, which are of great use to business in making marketing decisions. These statistics are not for regulatory functions. What proportion of your workload comes from those?

Mr. WILLIFORD. I am not at this point able to give you the proportions. I can furnish that information to the committee, which will be as of 1964, when the federation surveyed its membership regarding the paperwork burden. I can provide that study to you, which does give an indication of the proportional load of the two types of paperwork to which you referred. And I will so do.

The other part of the question, as to what Mr. Yatron referred when he was talking about Federal regulatory programs, I believe that what he meant was the Federal regulatory agencies. That is certainly what we mean in our testimony here. We are not talking about programs—

Mr. MCGINN. In that case, it is already, as enacted in Public Law 93-153, which says: "The Comptroller General shall review all existing information-gathering practices of independent regulatory agencies as well as requests for additional information with a view toward avoiding duplication of effort by independent regulatory agencies, and minimizing compliance burden on business enterprises and other persons." Wouldn't that make this bill surplus?

Mr. MOTLEY. I believe, in talking with Congressman Yatron, that it is really a problem in semantics. What he intended to do and what really is the language of the proposed legislation are somewhat different. It was his intent to have GAO study the paperwork problem throughout the Federal Government, not simply in the regulatory agencies, because as you say, that authority was given to GAO.

Mr. MCGINN. I think that somewhat contradicts Mr. Williford's testimony, that you were concerned about the regulatory agencies.

Mr. MOTLEY. We are concerned about paperwork which is generated throughout the Federal Government. We did not help Mr. Yatron draft the legislation, but in talking with him, I think his intent was the entire Federal Establishment rather than just the regulatory agencies themselves, because the authority over the regulatory agencies was given to GAO during the last session of Congress.

Mr. BUHLER. I gather that you would want to include IRS in it.

Mr. MOTLEY. A part of H.R. 14151 is to include IRS in that grouping. But if you are interested in trying to determine the amount of paperwork generated by each agency and its impact on small business, I am sure that the federation would be glad to work with the committee in trying to determine that from our membership. We do have 380,000 captive firms which you could work with to try and determine something of that nature.

Mr. WILLIFORD. We also have a unique ability to survey our membership through our computer operation. Because of the way our membership is broken down, if you wanted to survey a particular

segment of small business—drycleaners, florists, gas station operators—we are in a position to do so.

Mr. McGINN. Can you do that without sending a form?

Mr. WILLIFORD. We recognize that there is a price you have to pay in order to solve the problem. So there is a front-end load to this, you see.

Mr. HORTON. I think the federation has been very effective. You have a very excellent system of keeping in touch with the small business people.

Mr. WILLIFORD. Thank you. We feel that our responsibility not only to this committee but to the Congress is to provide as accurate and reliable information as we possibly can on which you can base your decisions regarding small business. We feel our No. 1 objective here in Washington is to provide this accurate and reliable information. And we gather this information, not by abstract theorizing, but by actually going to our member and saying, what do you as an independent businessman think about this particular issue?

So this is not theorizing at all; this is accurate information.

Mr. MOTLEY. If you wanted to make use of our membership in any way, we could break it out district by district, county by county, business type by business type, number of employees, or in whatever way you want to do it.

Mr. HORTON. Mr. Williford, we want to thank you for appearing before the committee.

The hearing is adjourned, subject to the call of the Chair. The hearing record will remain open.

[Whereupon, at 11:45 a.m., the subcommittee adjourned, to reconvene subject to the call of the Chair.]

APPENDIX

OTHER STATEMENTS AND CORRESPONDENCE RELATIVE TO THE HEARINGS

PREPARED STATEMENT OF HON. BILL ALEXANDER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ARKANSAS

Mr. Chairman, I especially appreciate the opportunity to express my support for the conducting of a GAO study on the burden of reporting requirements of federal regulatory programs on small independent business establishments.

Since coming to the Congress, a considerable amount of my time and effort has been devoted to providing a better way of life and a healthy economy for the people of the countryside. To accomplish this goal, it is necessary not only to bring new business into the Nation's smaller communities, but also to insure that our existing small farms and businesses continue to flourish.

However, independent businesses are now facing a serious threat to their survival as large firms and chains expand into all regions of this country. It's hard to compete with businesses who have their operations and administrations centralized, thus cutting down on many costs.

This bill, originally introduced by Mr. Yatron, and of which I am a co-sponsor, draws attention to the situation and hopefully the final report will suggest a way out of this mire of paperwork.

To a small businessman, time is money. Large firms have accountants, computerized systems and literally specialists in filling out forms. Owners and employees of small businesses must take time out from their productive earning time to interpret and complete a mass of forms including the Economic Census and reports for the IRS, FTC, Social Security Administration and OSHA—not to mention the reports that are required by the states and localities. No wonder we hear so many complaints about government red tape.

The books of small family businesses are primarily designed to show income and outgo, salaries, earnings, etc. They are not designed to split out the complicated statistics and data required by the Economic Census. We must find a more realistic way of gathering this information, if it is indeed necessary.

We must relieve our small businessmen of this burden, and do so, promptly.

It would seem to me, in view of the Government Operations Committee's existing authority with regard to requiring reports from the General Accounting Office and in view of our past good relationship and positive experiences with the Comptroller General, the Committee should request that such a study as spelled out in H.R. 42 be undertaken immediately by GAO. By exercising this prerogative rather than taking this bill to the House floor, valuable time could be saved.

Thank you again for allowing me to speak in favor of this proposal.

PREPARED STATEMENT OF HON. ALAN STEELMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. Chairman, distinguished members of the Committee, thank you for giving me the opportunity to testify in behalf of a measure introduced by Mr. Yatron and other Members of the House, a measure which, while dealing specifically with "small business", carries with it grave import for the future of business enterprises of all sizes, from the giants of the Fortune Five-hundred to the so-called "Ma and Pa" operations we all remember from our youth. The purpose of the proposed legislation, the close examination of Federal regulatory program reporting-requirements and their effects on small business establishments, is one with which I have the greatest sympathy.

(125)

Small business was once of paramount importance to the American economy. Long before the giant corporation gained pre-eminence in the field of business enterprise, small firms filled the needs of the nation. Well into the Nineteenth Century, America was a nation of small shops, modest factories and family enterprises; it was only with the arrival of the second stage of the American industrial revolution that large firms began to dominate trade, manufacturing and transportation. The vast expansion of American industry during the War Between the States created a new class of industrialists men who had made their fortunes from the principles of increasing returns to scale: the larger a firm's operation, the greater the economies of production, and, concomitantly, the greater the profit. Corporations became larger at the expense of small business.

The small business did not disappear, however; even today, the number of small enterprises and the amount they contribute to our economy are surprising. In 1969, the Internal Revenue Service reported that there were in existence at the time just over twelve million business enterprises in the United States—that is, single proprietorships, active partnerships, and active corporations. Of this number, fully ninety-seven percent reported receipts of less than five hundred thousand dollars. Of course, they were heavily outweighed by larger firms in total receipts, but even so, they accounted for about twenty-one percent of reported receipts.

These are facts; we are not dealing with a declining, eccentric segment of the economy: America's small business pull their own weight; they contribute vitally to the nation's economic well-being.

Over and above their economic value as measured in raw statistics, small businesses in America contribute to the life of the communities they serve. The small securities broker-dealer, advises his local customers and plans their investment programs, with personal attention; he also arranges financing for other local businesses which might not be able to interest large backers. The small, locally run radio station provides a dimension of community service too often neglected by larger operations. The "Ma and Pa" store provides the focal point of a neighborhood's activities, serving, more often than not as a part-time community center. The American people today are troubled by feelings of growing alienation and isolation; the small locally owned and operated business combats societal fragmentation. The question is, Mr. Chairman, whether this nation can afford the disappearance of such a valuable part of itself.

It is ironic that despite the United States Government's commitment to small business, embodied in the Small Business Administration, it is the same would-be savior that poses the biggest threat to the continued viability of small business. The Government is literally drowning small businessmen in red tape and bureaucratic paperwork.

The figures alone are staggering. In 1972, the volume of Federal documents was estimated to take up four and a half million cubic feet of file space; the cost to the taxpayers of its management and service was figured at eight billions of dollars per year. The different types of forms had, by 1972, grown to 5,298 in number and elicited four hundred twenty-six million responses from the American public, which put in one hundred thirty million man hours to comply with them.

Many of these forms fall on the private business sector, and in no other part are they so heavy a burden as on the small businessman. The Internal Revenue Service, the Social Security Administration, the Occupational Safety and Health Administration, and many other agencies require a large volume of complex paperwork from businesses of all size, and in almost every case, they fail to provide sufficient differentiation that would free the small businessman from that excessive and unnecessary paperwork that imperils his profitability.

Mr. Chairman, between 1969 and 1972, I served as executive director of the President's Advisory Council on Minority Business Enterprise. During my tenure in that position, I was able to see at close hand the hardships often inadvertently inflicted on small, struggling businesses by the heavy hand of Federal regulation. A study of this burden and subsequent action to alleviate it are, in my opinion, long overdue. I can honestly say, without exaggeration, that what we have at stake here is nothing less than the future of a vital, vigorous segment of the American economy. I urge the swift consideration and passage of the Federal Paperwork-Burden Relief Act.

PREPARED STATEMENT OF HON. KIKI DE LA GARZA, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF TEXAS

Mr. Chairman, one reason for the paper shortage we have been hearing about recently may well be the burden of paperwork placed on independent businessmen by the Federal Government. Daily, weekly, monthly, annually, they are required to file out a mountain of records, forms, surveys and other documents in order to conduct their business.

The small businessman is hit especially hard by these requirements. He usually can't afford to hire another person just to take care of the paperwork. He has to do it himself. One small businessman, and there is no reason to think him untypical, has reported that he must spend more than half his time unproductively filling out forms that did not exist a few years ago.

Some of this paperwork is no doubt necessary. Much of it, I am sure, is not. The small businessman, struggling for survival in this inflationary period, sorely needs to be relieved of any part of the growing burden that serves no essential purpose.

Comprehensive information in this area is lacking. In an effort to learn more, I introduced last February a bill, H.R. 12905, directing the Comptroller General of the United States to conduct a study of the burden of reporting requirements of Federal regulatory programs on independent business establishments.

The purpose of the proposed study is to determine the extent to which these requirements may be revised to lighten the load on these small businesses. My bill, which is similar to other legislation that has been introduced on this subject, provides that the Comptroller General shall complete his study within a year's time and report to Congress his recommendations for remedial administrative actions and legislative enactments.

I believe such a report would prove beneficial. I hope your Committee will approve legislation providing for it.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., June 11, 1974.

HON. CHET HOLIFIELD,
Chairman, Government Operations Committee,
Rayburn Building.

DEAR CHET: I am sorry I was out of town when you held hearings June 5 and 6 on H.R. 12113, to revise the Comptroller General's audit responsibilities.

I understand that you do not plan to hold further hearings on this subject matter. As you know, I am the sponsor of H.R. 9285, providing for Comptroller General audits of the Federal Reserve Board and the Federal Reserve banks, the Internal Revenue Service, the Comptroller of the Currency, and the Office of Alien Property, and I hope in your further consideration of H.R. 12113, you will give consideration to H.R. 9285.

When the legislation was on the House floor to require an audit of the Federal Reserve (H.R. 10265), I submitted a statement for the Record on this legislation, and commented on my own bill, H.R. 9285. I included at the close of my remarks a letter I had received from the Comptroller General in which he answered some questions concerning his audit responsibilities as they pertained to my bill, H.R. 9285. I would like for the enclosed statement to become a part of your hearing record.

Sincerely,

SAM M. GIBBONS,
U.S. Congressman.

[From the Congressional Record, May 30, 1974]

Mr. GIBBONS. Mr. Chairman, for some time I have supported legislation to require the General Accounting Office to audit the Federal Reserve, and have, in fact, introduced legislation similar to that before us today. I thoroughly agree with the Banking and Currency Committee in reporting this measure to the House. I hope that it will be passed and signed into law.

Since the Federal Reserve Act was signed on December 23, 1913, there has been no audit of the Federal Reserve System as a whole which was not controlled in some manner by the System itself. Although the General Accounting Office was established in 1921, it has never had the authority to audit the entire Reserve System. Until 1933, the GAO did audit the Board of Governors but was not allowed to audit the 12 Federal Reserve banks and their branches.

However, the Banking Act of 1933 removed the GAO's authority to audit the Board. The Board does maintain a staff of examiners who audit the 12 Federal Reserve banks and branches and, since 1952, the Board has been audited annually by independent certified public accounting firms. The internal auditing procedures of the Federal Reserve System have been cited in arguments against allowing the General Accounting Office to audit the Federal Reserve System and its banks and branches.

However, there are many reasons, I believe, that call for an audit by the General Accounting Office. The General Accounting Office was created to assist Congress in providing legislative control over the receipt, disbursement, and application of public funds. It does have the authority to audit the majority of Federal agencies.

The magnitude of the Federal Reserve's operations demand that it be audited. The Comptroller General of the United States in a letter to me last year in response to my question concerning the expenditures of the Federal Reserve, stated:

With respect to the other agencies not audited by GAO, the Federal Reserve System is the most significant in terms of dollar expenditures. In calendar year 1972, the expenses of the Board of Governors were about \$25.3 million, and the expenses of all 12 Federal Reserve banks were about \$407.2 million, making total Federal Reserve System expenses about \$432.5 million.

The major role the Federal Reserve plays in our national economy calls for an audit of its activities. The Federal Reserve enjoys a position of complete independence from congressional or executive oversight of its activities. Thus, this body which makes major decisions over the Nation's economy has very little review.

I believe that the Federal Reserve must be held accountable for its use of what are essentially taxpayers' funds. Most of its earnings are derived from interest on U.S. Government bonds, and the net earnings—the total earnings minus the expenses of the Board and the Federal Reserve banks—are transferred to the U.S. Treasury. When Mr. Staats, the Comptroller General, appeared before the Banking and Currency Committee, he stated:

These [Federal Reserve funds] are basically Federal monies that we are talking about here. . . . It is just as much Federal money as if it were appropriated directly.

Several years ago the Banking and Currency Committee did a special study of the Federal Reserve System and listed hundreds of expenses that would not have been allowed by most governmental agencies. The report of the committee which we are considering today touches on this study in greater detail.

Mr. Chairman, this legislation is the beginning step of other steps we must take to require fiscal soundness in our Federal agencies—to require accountability of taxpayers' funds. In addition to sponsoring legislation to require the Federal Reserve to be audited, I have introduced legislation to require audits of all of the unaudited domestic agencies of the government. I have been joined by 40 Congressmen in the introduction of this important legislation.

In response to my request to him, the Comptroller General has furnished me with a detailed letter concerning the unaudited agencies and his estimate of the cost of auditing them. I would like his letter to be made a part of my remarks.

The letter from Mr. Staats, dated September 26, 1973, follows:

COMPTROLLER GENERAL
OF THE UNITED STATES,
Washington, D.C., September 26, 1973.

Hon. SAM M. GIBBONS,
House of Representatives

DEAR MR. GIBBONS: Your letter of July 20, 1973, requested that we update certain information dealing with agencies and entities not audited by the General Accounting Office (GAO), appearing in published hearings on September 27, 1971, before the Subcommittee on Domestic Finance, House Committee on Banking and Currency. In another letter dated July 30, 1973, you requested infor-

mation as to the reasons GAO does not audit certain Federal agencies and our estimate of the cost to audit these agencies.

The information you requested follows:

UPDATE OF INFORMATION APPEARING IN TWO PARAGRAPHS ON PAGE 43 OF THE ABOVE-CITED HEARINGS

GAO does not audit the Central Intelligence Agency (CIA); and is not authorized to audit the Comptroller of the Currency; the trust funds of the Smithsonian Institution; the U.S. Soldiers' and Airmen's Home, Washington, D.C.; and the alien property activities of the Department of Justice. With respect to the CIA, GAO has no authority to audit that agency's confidential, extraordinary or emergency expenditures by virtue of section 8 of the Central Intelligence Agency of 1949 as amended (50 U.S.C. 403j(b)). Following enactment of this act and at the request of the CIA, GAO conducted on-site audits of vouchered expenditures. However, in view of section 8 of the act and the lack of access for any substantive review of agency policies, practices and procedures, an audit of vouchered expenditures is not now being made.

Also, although GAO is authorized to audit the destruction of unfit currency by the Federal Reserve System, it is not authorized to audit other Federal Reserve System activities or accounts. Additionally, GAO has not been allowed to audit some of the activities of several other agencies. For example, the Internal Revenue Service (IRS) has refused to allow GAO to audit its administration of the tax laws unless GAO is specifically requested to do so by the congressional Joint Committee on Internal Revenue Taxation. This refusal does not extend to all IRS activities, and GAO has reviewed some IRS activities not directly related to the administration of the tax laws.

There are several areas not referred to on page 43 of the hearings in which GAO audits are limited by law or have been restricted by the actions and legal positions of Federal agencies. GAO audits of the Exchange Stabilization Fund are limited by law to administrative expenses; and the Secretary of the Treasury may prohibit GAO from auditing administrative expenses which he determines to be of an internationally significant nature. GAO's annual audits of the Federal Deposit Insurance Corporation have been limited because FDIC has not permitted us unrestricted access to reports, files and other records related to the banks which it insures. In 1972 an attempt by GAO to review the effectiveness of the Internal Revenue Service in monitoring prices under Phase II of the Economic Stabilization Program was frustrated by IRS.

Although IRS did not formally deny GAO the right to review program records, it proposed limitations which would have precluded GAO from performing an independent review. GAO was originally hampered in its efforts to review the records of the Emergency Loan Guarantee Board, established by Pub. L. 92-70. While the Board subsequently made its records available, it did so only because of the intervention of the Senate and House Committees on Banking and Currency. In making the records available, the Executive Director of the Board stated that "we continue to believe that the GAO does not have the statutory authority to review the Board's internal records relating to its decisionmaking process." The Board restated this position in its first Annual Report of July 31, 1972. Finally, GAO was unable to comply with a congressional request to review the Treasury Department's enforcement of the countervailing duty statute (section 303 of the Tariff Act of 1930, 19 U.S.C. 1303) because the Treasury Department refused to afford access to necessary records.

The Central Intelligence Agency does not make public the amount of its expenditures. The expenditures of the Internal Revenue Service for fiscal year 1972 amounted to about \$1.1 billion. With respect to the other agencies not audited by GAO, the Federal Reserve System is the most significant in terms of dollar expenditures. In calendar year 1972, the expenses of the Board of Governors was about \$25.3 million, and the expenses of all 12 Federal Reserve banks was about \$407.2 million, making total Federal Reserve System expenses about \$432.5 million. The expenses of the other agencies completely exempt from GAO audits are much smaller. For instance, in fiscal year 1972, the Comptroller of the Currency had expenses of about \$38.9 million, and expenses of the U.S. Soldiers' and Airmen's Home were about \$11.6 million.

The activities of the Smithsonian Institution are financed by Government and private funds, and the expenditure of Government funds is subject to GAO audit,

but the expenditure of funds originating from private sources is exempt from GAO audits. In fiscal year 1972, the Smithsonian Institution received non-Federal funds totaling about \$4.8 million which represented about 7 percent of total funds received of about \$69.1 million.

• REASONS GAO DOES NOT AUDIT CERTAIN AGENCIES

Federal Reserve System

The Board of Governors of the Federal Reserve System is authorized by law (12 U.S.C. 243), to levy assessments against Federal Reserve banks to pay the expenses of the Board. The Board is authorized by law (12 U.S.C. 244), to determine and prescribe the manner in which its obligations shall be incurred and its expenses allowed and paid. Further, it specifically is provided (12 U.S.C. 244), that funds derived from the assessments against Federal Reserve banks to defray the expenses of the Board shall not be construed to be Government funds or appropriated monies.

In view of the broad authority conferred upon the Board to determine and prescribe the manner of incurring obligations and to pay its expenses, and the fact that funds used to defray the expenses of the Board are not Government funds or appropriated monies, together with the provision in 12 U.S.C. 484, that no bank is subject to any visitatorial powers other than authorized by law, or vested in the courts, or as shall be exercised or directed by the Congress or by either House thereof or by any committee of the Congress or of either House, it is our opinion that GAO would be unable to undertake an audit of the Federal Reserve System without specific authority of the Congress.

The Congress has given GAO the authority to audit one activity of the Federal Reserve System. Public Law 89-427, dated May 20, 1966, requires GAO to audit the cancellation and destruction of unfit currency. The Federal Reserve banks and branches perform this function and GAO periodically audits this operation at selected banks and branches.

INTERNAL REVENUE SERVICE (IRS)

There are no restrictions on the authority of GAO to audit the administrative expenditures of this agency. However, the nature and full effectiveness of our audit of tax collection matters is dependent upon access to tax returns and related information with respect to which restrictions do exist.

The IRS has generally taken the position that our Office does not have the legal authority to audit IRS's administration of tax laws except when specifically requested to do so by the Congressional Joint Committee on Internal Revenue Taxation. IRS has maintained the position that this committee has exclusive jurisdiction over the administration of tax laws by the IRS.

We do not agree. IRS programs are the concern of several committees of Congress. For example, the banking and currency committees have an interest in the effectiveness of IRS's role in the administration of economic stabilization controls. Other committees, such as the Appropriations Committees and the Government Operations Committees, have an interest in the economy and efficiency with which the administrative operations of the IRS—with costs well over a billion dollars—are carried out. Still other committees are interested in tax aspects of campaign contributions. In discussions of the subject with the Comptroller General, the Chairman and Vice Chairman of the Joint Committee on Internal Revenue Taxation have never stated that they had such exclusive jurisdiction. Since we have a responsibility to the Congress as a whole, our ability to fulfill this responsibility has been and continues to be hampered because of IRS's position on this matter.

IRS has additionally taken the position that no matter involving the administration of the internal revenue laws can be officially before GAO and therefore we have no audit responsibility. The Commissioner of IRS, in a letter to the Comptroller General dated June 6, 1968, stated:

"* * * I must note that the (Chief Counsel, IRS) opinion holds that the Commissioner of Internal Revenue is barred by Sections 6406 and 8022 of the Internal Revenue Code from allowing any of your representatives to review any documents that pertain to the administration of the Internal Revenue Laws. Thus, federal tax returns and related records can be made available to you only where the matter officially before GAO does not involve administration of those laws."

Under the provisions of 26 U.S.C. 6103, tax returns are open to inspection only on order of the President and under rules and regulations prescribed by the Secretary of the Treasury or his delegate and approved by the President. Regulations appearing in 26 CFR 301.6103(a)-100-107 grant several Government agencies specific right of access to certain tax returns. Our Office is not included among those agencies. The regulation applicable to our Office, 26 CFR 301.6103(a)-1(b)(f), provides that the inspection of a return in connection with some matter officially before the head of an establishment of the Federal Government may be permitted at the discretion of the Secretary or Commissioner upon written application of the head of the establishment.

IRS has permitted Federal agencies, States, individuals, contractors, and others to have access to tax returns and records. GAO has been given access to individual tax returns only when the return is needed in connection with an audit of a non-IRS program or when we have made reviews of an IRS program at the request of the Joint Committee on Internal Revenue Taxation. Otherwise we have been denied records requested for reviews of IRS operations. We feel that a GAO evaluation of IRS's administration of the tax laws is a matter officially before us and that therefore the Secretary has legal authority to provide us access.

ALIEN PROPERTY ACTIVITIES OF THE DEPARTMENT OF JUSTICE

Because the alien property activities performed by the Department of Justice are carried on with nonappropriated funds, it is our position that GAO does not have the authority to audit these activities.

COMPTROLLER OF THE CURRENCY

The expenses of the Office of the Comptroller of the Currency are paid from assessments levied against national banks. With respect to funds derived from such assessments, the law (12 U.S.C. 481), specifically provides that such funds shall not be construed to be Government funds or appropriated monies. For the same reasons set forth under the Federal Reserve System, it is our position that our Office lacks authority to audit this agency.

COST OF AUDIT

Your letter of July 30, 1973, requested our estimate of the cost to audit the Federal Reserve System; the Internal Revenue Service; the Office of Alien Property; and the Comptroller of the Currency. To arrive at an estimate of our costs, we had to make certain assumptions concerning the legislation that would be enacted authorizing GAO to make such audits.

The audits performed by our Office generally relate to either the programs, activities, and financial operations of the four entities (including the administration of the tax laws by IRS) under such rules and regulations as he may prescribe. Further, we presumed that reports of such audits would be made by the Comptroller General as he deemed them necessary.

FEDERAL RESERVE SYSTEM

The financial statements of the Board of Governors are audited annually by an independent firm of certified public accountants and an annual examination of the financial condition of each Federal Reserve bank and branch bank is made by bank examiners who are employees of and who report to the Board of Governors. Also, an independent firm of certified public accountants observes the examination by the bank examiners at selected Federal Reserve banks and branch banks each year and renders a report to the Board of Governors concerning the adequacy of the examinations.

If our Office were to audit the financial statements of the Board of Governors and the Federal Reserve banks and branch banks, in determining the extent and scope of our audit work, we would take into consideration the audit work performed by the certified public accounting firm and the bank examiners. It is difficult to estimate with precision the cost of such audits by our Office because, until we have had an opportunity to observe and review the audit work performed by the independent accounting firm and the bank examiners, we cannot be certain to what extent we would limit the scope of our audit work. However,

assuming that we find that the work of the certified public accounting firm and the bank examiners is thorough and comprehensive, we estimate that the additional work required by our Office to express an opinion on the financial statements of the Board of Governors and the Federal Reserve banks and branch banks would cost about \$125,000 after the first year.

Concerning the audit of programs and activities of the Federal Reserve System, it is difficult to estimate the cost of such audits because we cannot predict certain variables which determine how much of our manpower resources would be devoted to audits of the activities of the System. For example, the amount of audit effort which we devote to audits of any particular agency is dependent upon such factors as congressional interest in the agency's activities.

INTERNAL REVENUE SERVICE

This is a major agency which collects over \$200 billion a year in taxes and spends more than \$1 billion a year and there is a substantial continuing congressional interest in its activities. On the basis of the work we have been requested to do for the Joint Committee on Internal Revenue Taxation, we estimate that it would cost about \$1 million a year to audit the administration of the tax laws and other programs and activities of IRS.

ALIEN PROPERTY ACTIVITIES OF THE DEPARTMENT OF JUSTICE

This is a relatively minor activity. We estimate that in the absence of some strong congressional interest in this activity, we would spend very little time on this audit and that our costs would be negligible.

COMPTROLLER OF THE CURRENCY

The Comptroller of the Currency is responsible for the execution of the laws relating to 4,600 national and District of Columbia banks. As noted previously, we have assumed that the legislation enacted would authorize GAO to audit the programs, activities, and financial operations of the Office of the Comptroller of the Currency without a requirement that an audit be performed with any specific frequency. The financial statements of the Office of the Comptroller of the Currency are audited annually by a firm of independent certified public accountants. In determining the extent and scope of any audit we might make of the financial operations of this activity, we would consider the work performed by the independent certified public accounting firm. In view of the annual audits that are being conducted, and assuming that they have been and are thorough and comprehensive, we do not envision a significant expenditure of our resources in this particular area. Therefore, we estimate that the cost of any financial audit we might make of this activity would probably be no more than \$15,000.

The extent to which we would allocate staff to reviews of programs and activities such as the granting of charters and examinations of national banks would depend on several factors but principally the congressional interest in these activities. Because of this uncertainty we are unable to predict how much of our manpower would be devoted to such activities.

Sincerely yours,

ELMER B. STAATS,
Comptroller General of the United States.

DEAR COLLEAGUE: Commencing on May 29, 1974, the House will take up H.R. 10265, a bill which provides for GAO audits of the Federal Reserve. This is a proposal whose time has come. Nearly all important areas of government operations are audited by GAO. The operations of the Internal Revenue Service, the Comptroller of the Currency, the Office of Alien Property, and the Federal Reserve are not. There is no reason, in 1974, to keep these operations of government "off limits" to the auditor of the Congress of the United States. It defies understanding how, in 1974, secrecy and unaccountability can be tolerated in these areas of government. H.R. 10265 gives us an opportunity to end it in the Federal Reserve's operations.

ton Monument [height 555 feet] to illustrate the mind-stunning accumulation of federal records.

In a study of federal paperwork last year, GAO found that at the end of the 1973 fiscal year, the government had 30 million cubic feet of records of one kind or another on file in storage. That was 30 times the volume held two decades earlier, as well as 30 times the one million cubic feet making up the mass of the Washington Monument.

The General Services Administration, the government's housekeeping agency, has calculated that each year, 4.5 million cubic feet of federal records are filed away. This is the equivalent of 10 billion pieces of letter-size paper.

The General Accounting Office further delved into the costs of what it termed the government's "major paperwork elements"—correspondence, reports, forms, directives, files, automatic data processing output, and unspecified "other."

In fiscal 1973, GAO estimated, the total cost of this paperwork was \$15 billion. This compared with \$4 billion in 1955 and \$8 billion in 1966.

GAO said that as a result of the mountains of federal papers already in storage and huge amounts being added every year, the government is running out of storage space and the situation is "critical."

The accounting agency said that unless something is done to weed out and discard stored papers no longer needed or otherwise valueless ["too many records are retained too long"], storage space will have to be expanded by more than 30 per cent in the next decade at a cost of \$33 million.

In the course of counting the federal government forms in use, National Archives discovered that thousands are obsolete, unneeded, or otherwise useless, but are still being filled out within the bureaucracy or by the public because nobody has gotten around to revoking them. Further, it was found, there are unauthorized, or "bootleg," forms conceived by enterprising bureaucrats for their own use.

It would appear that Congress, prodded by a harassed and irate constituency, might be able to do something about cutting down proliferating government paperwork—at least that paperwork required of the public by law or regulation. More and more, congressmen are receiving complaints that federal tax, Social Security, employment, census forms, and the like have become a well-nigh intolerable, often unnecessary, burden costing too much time and money.

Rep. William J. Scherle [R., Ia.] recently reported that even a small "Mom and Pop" store must fill out 52 separate tax forms annually. He noted that many deserving, would-be businessmen are discouraged from applying for government small business loans because a typical application runs 20 pages.

Early this year, Rep. Gus Yatron [D., Pa.] told the House that "the American small businessman has fallen victim to the burgeoning federal bureaucracy . . . he is being smothered under an avalanche of paperwork which is time consuming and expensive."

Last month, Yatron and Rep. Al Ullman [Ore., No. 2 Democrat on the House Ways and Means Committee, introduced a bill to change the wage report required for Social Security purposes from a quarterly to an annual basis. According to Yatron and Ullman, this quarterly wage report [Internal Revenue Service form 941] is not only "one of the most difficult and onerous" to fill out, but is unnecessary because the required information could be supplied just as well once a year.

Sen. Thomas J. McIntyre [D., N.H.] introduced a similar bill in the Senate. A while back, McIntyre headed a subcommittee which looked into the matter of burdensome government paperwork and came up with the estimate that filling out forms costs businessmen \$18 billion a year.

Meanwhile, Congress is studying pending legislation, introduced by Rep. Yatron, that would direct the General Accounting Office to assess the nature and extent of federal reporting form requirements. The legislation is appropriately titled, "The Federal Paperwork Burden Relief Act."

AIR TRANSPORT ASSOCIATION OF AMERICA,
Washington, D.C., June 5, 1974.

Hon. CHET HOLIFIELD,
Chairman, Subcommittee on Legislation and Military Operations, Committee
on Government Operations, U.S. House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: Reference is made to Title II, Section 201 (a) of H.R. 12113, in which provisions are made for the transfer of the audit of transporta-

tion payments to "the executive agency or agencies designated by the Director of the Office of Management and Budget."

Member carriers of the Air Transport Association, and other modes of transportation, are concerned that this language would lead to the delegation of the transportation audit function to more than one executive agency. This would unnecessarily complicate the audit function and review thereof.

The scheduled airlines have found that the U.S. General Accounting Office in the performance of their audit duties in both the procurement and payment areas has been fair and impartial. If Congress is to mandate the transfer of this function, it should be done in such a manner that the form and substance of the current regulations and procedures of the U.S. General Accounting Office are retained, and in a single agency. Current and past experience indicates that any decentralization is likely to be a step backwards in the government efforts to standardize and simplify government procedures.

We recognize that some delegation to various offices, especially in the overseas area, may be required, such as the U.S. Army Finance and Accounting Office-Europe, located in Heidelberg, Germany. This office, however, operates consistent with USGAO regulations and procedures, and any deviation therefrom may be quickly resolved by the USGAO.

The legislation, if passed, would authorize the transfer of functions and personnel to the new executive agency or agencies and the scheduled air carriers assume that the audit function will continue under the same rules, regulations and procedures currently authorized, with the proviso that any subsequent change in rules, regulations and procedures be subject to the approval of the USGAO. Furthermore, the USGAO should retain their authority to issue and prescribe regulatory procedures as now encompassed by Title 5 of the U.S. General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies, both in the procurement and payment areas.

We endorse the provisions of the proposed legislation which would retain within USGAO the appellate function to assure carrier relief in case of disagreement with action taken by the agency to whom this function may be transferred.

It is recommended that the Committee give consideration to the following amendments to Title II, Section 201:

- (1) On page 3, line 4, delete the words "or agencies"
- (2) On page 4, after line 22, insert a new subsection (c) as follows: (c) All rules and regulations issued by the designated executive agency for the procurement and payment of transportation services shall be subject to review and approval of the United States General Accounting Office.

It would be appreciated if the Committee would consider the above matter and include this correspondence as part of the official record.

Sincerely,

LEO SEYBOLD,
Vice President, Federal Affairs.

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS,
Washington, D.C., June 3, 1974.

Hon. CHET HOLIFIELD,
Chairman, Subcommittee on Legislation and Military Operations, Rayburn House Office Building, Washington, D.C.

DEAR MR. HOLIFIELD: Enclosed is my letter to Representative Gus Yatron, the key sponsor of HR 12181, "The Federal Paperwork Burden Relief Act" sent on behalf of the American Institute of Certified Public Accountants.

We are extremely pleased that Representative Yatron has sponsored such legislation directed at evaluating the Federal paperwork burden imposed upon business. We have offered to provide him with whatever assistance may be required with respect to this legislation, and we would be most pleased to assist you and your committee in the same manner.

We respectfully request that the enclosed letter be included in the record of your subcommittee's hearings on Reporting Requirements and the Federal Paperwork Burden.

Sincerely,

WILLIAM T. BARNES,
Chairman, Federal Government Executive Committee.

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS,
Washington, D.C., June 3, 1974.

HON. GUS YATRON,
U.S. House of Representatives,
Cannon House Office Building,
Washington, D.C.

DEAR MR. YATRON: On behalf of the American Institute of Certified Public Accountants, I would like to thank you for the opportunity to offer some comments on H.R. 12181, the "Federal Paperwork Burden Relief Act".

The American Institute of Certified Public Accountants is the national professional association which represents over 100,000 certified public accountants. Our membership encompasses specialists in every field of accounting and many of those members are very familiar with the problems to which your legislation is addressed.

As the requirements of Federal agencies concerning periodic submission of financial and statistical information by private business have increased, members of the AICPA have observed the growth of the burden placed upon business in general and more specifically upon smaller business entities. Therefore, the Institute strongly endorses the general intent of H.R. 12181 which calls for measures to identify ways in which the burden of such reporting upon private business might be lightened.

In connection with certain provisions of H.R. 12181 we offer the following specific comments and suggestions for your consideration.

We have serious reservations as to whether a study of the magnitude of that proposed in your legislation can be adequately completed within a one year period as is presently required.

We suggest that the scope of the study be carefully defined prior to the enactment of legislation. Hopefully, this would prevent any unnecessary duplication of effort with other review programs presently being conducted.

We would suggest that with a clear definition of the scope and time period required for the study, additional consideration be given to the question of whether GAO is the appropriate agency to be charged with the responsibility for conducting the study. An agency's available manpower is, in our opinion, one matter which should receive consideration before any agency is given the responsibility.

We suggest that the legislation provide for the appointment of an independent advisory panel which would assist the agency responsible for conducting the study. CPAs would be privileged to serve on such a panel.

Again, we would like to offer our support for your efforts to enact legislation aimed at evaluating the Federal paperwork burden imposed upon business and we would be pleased to provide whatever assistance you may require to accomplish this objective.

Sincerely,

WILLIAM T. BARNES,
Chairman, Federal Government Executive Committee.

PAN AMERICAN WORLD AIRWAYS,
Washington, D.C., July 3, 1974.

Subject: Title 2, section 201(a) of H.R. 12113.

CHARLES GOODWIN,
Counsel, Subcommittee on Legislation and Military Operations, Rayburn House
Office Building, Washington, D.C.

DEAR MR. GOODWIN: The opportunity of reviewing this legislation with you was very much appreciated. Based on our conversation, it is my understanding that the current thinking of the Committee is in substantial accord with the points raised by Mr. Seybold in his letter of June 5 to the Honorable Chet Holifield.

As a result of long experience in government transportation financial matters, we would have great concern if the audit function now performed by the U.S. General Accounting Office were to be diffused among several agencies, which could well be a very definite possibility. It is our hope, and I think you concur, that only one agency be designated to establish the basic procedures and regula-

tions, even though it may be necessary to delegate the actual function, such as is currently being done with the U.S. Army Finance Center in Heidelberg. In the past we have found the U.S. General Accounting Office to be fair and impartial, if not always to our liking. We would hope that the necessity for impartiality, as well as technical competence be emphasized in reporting out this legislation.

Should there be any additional information or advice that either Pan American or the industry may provide, please let me know (Tel: 659-7741).

Sincerely,

EDWARD D. PERKINS,
Commercial-Financial Affairs.

LEWIS, MITCHELL & MOORE,
Washington, D.C., July 1, 1974.

Re: Comments on HR 12113.

CHARLES GOODWIN, Esq.,
Counsel for the Legislation and Military Operations Subcommittee, Committee on Government Operations, House of Representatives, Rayburn Building, Washington, D.C.

DEAR MR. GOODWIN: As Chairman of the American Bar Association Public Contract Section Committee on Current Federal Procurement Statutes, Regulations and Forms, I have been recently contacted by Trowbridge vom Baur who asked me to present comments for the Association on HR 12113 which is presently before your Subcommittee for study.

Our Committee is governed by procedures which require review and approval by the Association before comments can be submitted in the name of the Association. My understanding is that you want our comments quickly which will not allow me to follow our procedures and consequently I cannot speak for the Association.

However, I have considered HR 12113 and the impact of a reduction in the statute of limitations for claims made at the GAO from ten to six years and conclude that I would not object to the bill so long as an adequate grace period is given before its effective date. The proposed one year time period seems to be acceptable in my view. It is appropriate that the statute of limitations for claims brought against the GAO to be the same as that for actions brought at the Court of Claims.

The above represents my opinion as a practitioner in this area of the law and does not necessarily reflect that of the Association. I have contacted other ranking members of the Public Contract Section and suggested that they offer their personal comments to you directly.

I hope this will prove to be of assistance to you. If I can be of any further help, do not hesitate to contact me.

Very truly yours,

ROY S. MITCHELL,
Chairman, Committee of Current Federal Procurement Statutes, Regulations and Forms.

REAVIS, POGUE, NEAL & ROSE,
Washington, D.C., June 26, 1974.

CHARLES GOODWIN, Esq.,
Counsel for the Legislation and Military Operations Subcommittee, Committee on Government Operations, House of Representatives, Rayburn Building, Washington, D.C.

DEAR CHARLIE: It was nice to see you, even so briefly, at the Administrative Conference a few weeks ago.

Roy Mitchell has written concerning your request for comments on HR 12113 from ABA members. I see no serious objection to reducing the statute of limitations for claims made against the GAO. However, I agree with Roy Mitchell that a year's grace period would be appropriate.

Sincerely yours,

ELDON H. CROWELL.

GADSBY & HANNAH,
Washington, D.C., July 1, 1974.

Re: Comments on HR 12113.

CHARLES GOODWIN, Esq.,
*Counsel for the Legislation and Military Operations Subcommittee, Committee
on Government Operations, House of Representatives, Rayburn Building,
Washington, D.C.*

DEAR MR. GOODWIN: This is to advise you that I concur with the views expressed by Roy S. Mitchell, Chairman of the ABA Committee on Current Federal Procurement, Statutes, Regulations and Forms, in his letter to you dated July 1 on the subject of HR 12113.

Sincerely yours,

PAUL F. HANNAH.

